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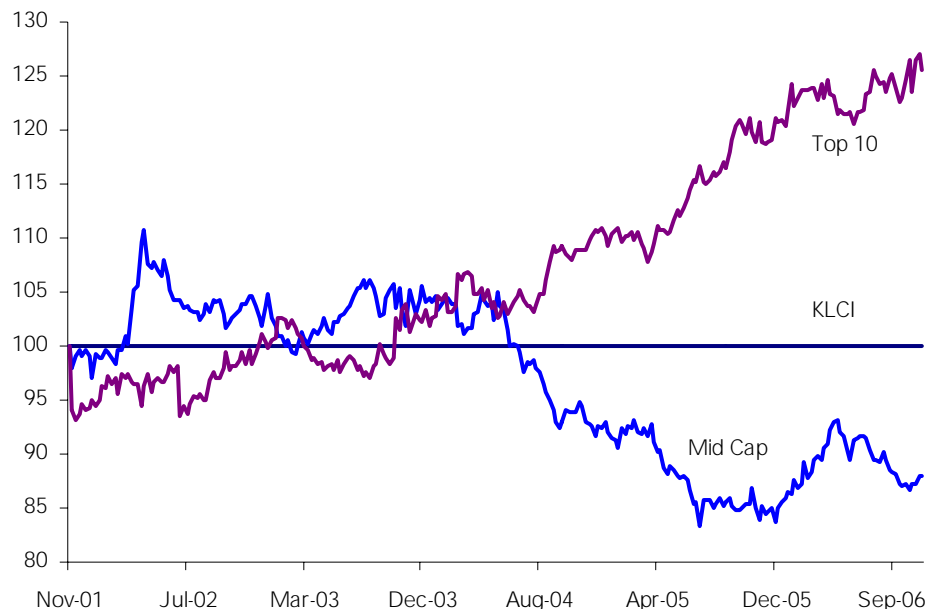
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# Cherry picking

## Mid-caps have lagged

Over a five-year time horizon, small- and mid-cap stocks in the Malaysian market appear to have underperformed the KLCI. Most of this underperformance came in 2004-2005 when small-caps became out-of-favor. On the other hand, the big-cap rerating was led by the likes of IOI Corp, MISC and Genting. Therefore, our key message is to cherry pick companies from the mid-cap space for potential outperformance as an alternative to the bigger caps that have performed well in the past five years.

**Figure 2: Relative performance of KLCI vs Mid-Cap and Top-ten Market cap**



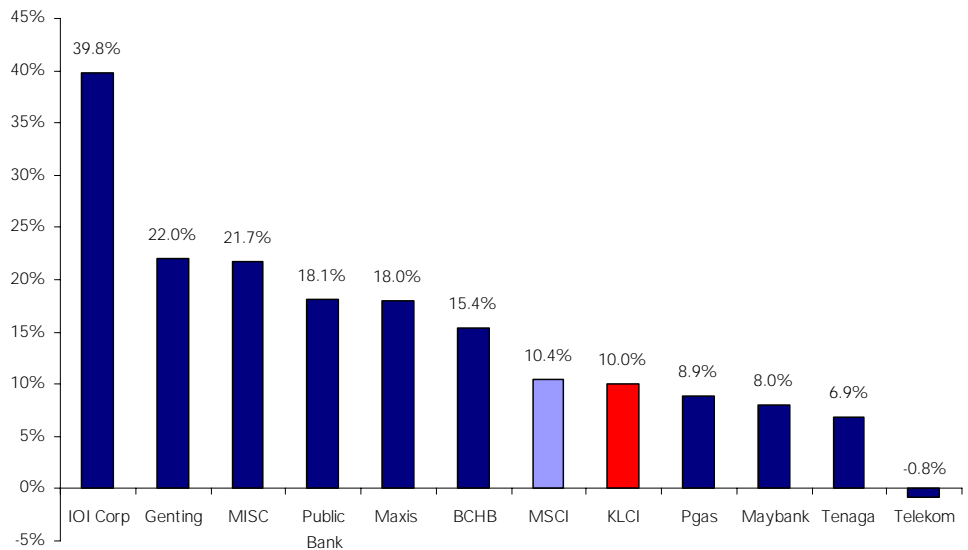
Source: Deutsche Bank, Bloomberg

The 'Top-ten MC' line in Figure 2 above is the equal weighting of the relative share price performance of the top-ten market-cap stocks on the KLCI, which have generally outperformed the index. The 'Mid-cap' line is the relative share price performance of the remaining 80 members of the KLCI, which have generally underperformed the index.

The big-caps usually garner more attention from institutional investors due to better liquidity and better coverage. We are highlighting five mid-cap stocks with a market cap of less than US\$1bn, which have superior earnings prospects or deep value on our analysis, and a decent daily trading volume of at least US\$200K. Upside on our mid-cap stock picks is also looking superior to our 5% upside for the index target of 1,075 and for most of our big-cap picks.

**Outperformance over the past five years has been driven by a rerating of big-caps ....**

**Figure 3: Five-year stock price CAGR of top-ten market-cap companies**



*Note: Maxis was listed on July 2002, CAGR calculated from date of listing.  
Source: Deutsche Bank, Bloomberg*

**... but upside appears limited for the next 12 months. Look to mid-caps for outperformance.**

**Figure 4: Upside potential of top-ten market-cap stocks**

	Share price	Target price	Upside
	14-Nov	RM	%
Tenaga	10.50	12.20	16.2
Maybank	11.50	12.80	11.3
MISC	9.20	9.50	3.3
Telekom	9.05	9.40	3.9
Public Bank	7.10	6.60	(7.0)
BCHB	7.45	7.90	6.0
IOI Corp	18.30	20.00	9.3
Maxis	9.05	8.75	(3.3)
Genting	26.75	29.00	8.4
PGas	8.85	8.80	(0.6)
<b>Simple average</b>			<b>4.7</b>

*Source: Deutsche Bank*

## Growth versus value

A detailed section of our top-five mid-cap picks is included in the companies section in this report.

The three growth stocks we have picked are:

**IJM Corp:** Expected to benefit from the domestic government's pump priming. Its Indian operations are also growing well.

**Transmile:** One of the few dedicated overnight express air operators in the region. Rerating will hinge upon the addition of capacity as demand is strong and the company already owns the landing rights.

**Media Prima:** Dominant media industry player in the country. Loss making TV stations are turning around and there is a possibility of hiving off a loss-making Newspaper Company. Re-rating catalyst include lower discount and turnaround of CH9.

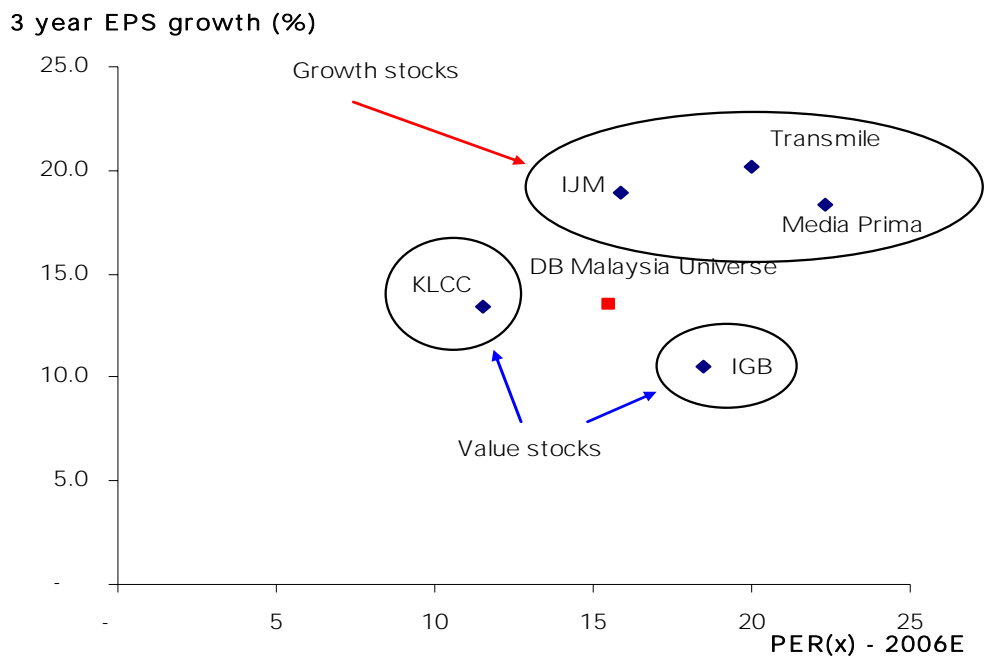
And the two value plays are:

**IGB Corp:** An under-research property developer-cum-owner, poised to enjoy net lettable area expansion at Mid Valley City, upward rental revision and a ready plan to unlock asset values.

**KLCC Prop:** Malaysia's real-estate showcase, owning the best commercial property portfolio in the country including the world's tallest Twin Towers and other prime commercial assets. The company will soon embark on its expansion plan to add 1m sqf of net lettable area.

**Growth stocks have superior growth while KLCC and IGC trade at 35% and 44% discount to RNAV, respectively.**

**Figure 5: Earnings matrix of our mid-cap picks**



Source: Deutsche Bank

IJM, Transmile and Media Prima will grow at a faster pace as compared to the rest of the DB Malaysia Universe coverage. However, these stocks are already trading at higher multiples as compared to the KLCC average of about 14x P/E. Nonetheless, a growing construction orderbook driven by the government's pump priming initiatives or a unique business model of an air cargo operator and a media company operating in a monopolized environment justify the higher trading multiples.

Although KLCC and IGB are expected to grow slower than the average stock on the DB Malaysia Universe coverage, we see deep value in its assets. Both trade at deep discount to RNAVs and will benefit from the resurgence of the KL office sector where recent transactions have implied a yield of 5-7%. In comparison, KLCC Properties and IGB Corp trade at implied yields of 10-11%.

We have also detailed the likely share price catalysts over the next 12 months to give you an idea of events to watch out for.

**Figure 6: Potential catalysts to watch out for**

	3 months	6 months	12 months	Comments
<b>IJM Corp</b>	Award of WCE	Completion of merger with Road Builder	Profit growth momentum	We expect a step-up in government infrastructure jobs over the next 6 months to drive rerating.
<b>Transmile</b>	Strong 2H 2006 results	Clarity on wide body acquisitions	More news on aircraft expansion plans in 2008.	Capacity expansion the key to rerating
<b>Media Prima</b>	Possible NSTP stake distribution	Continual turnaround of NTV7	Profit growth momentum	Rerating catalysts include lower discount and turnaround of TV9.
<b>IGB</b>	Divestment of low yielding property asset	Completion of two office blocks in Mid Valley City	Completion of the Gardens new retail mall	We expect commercial property market, especially office market to sustain upward trend in both rental and capital values. Compressing asset yield should help narrow current large RNAV discount.
<b>KLCC</b>	Sector catalysts in terms of compressing asset yield, rising rental and capital values	Sector catalysts in terms of compressing asset yield, rising rental and capital values	Profit growth momentum, reaping benefit of VMY 2007	We expect commercial property market, especially office market to sustain upward trend in both rental and capital values. Compressing asset yield should help narrow current large RNAV discount.

Source: Deutsche Bank

**Figure 7: SWOT Analysis**

	Strengths	Weakness	Opportunities	Threats
<b>IJM Corp</b>	Good track record of handing over construction jobs on time and maintaining pretax margins of around 10% in construction.	Indian toll roads making losses and only expected to turn around in 2 - 3 year's time.	Malaysian government expected to pump prime aggressively over the next 12 months and IJM is in a good position to win jobs.	Competitors in Malaysia are hungry for jobs and may be willing to sacrifice margins to gain work.
<b>Transmile</b>	Strong demand from customers. Good relationship with key customer DHL.	Earnings growth uncertainty because we do not know when it will add capacity.	Unutilised fifth freedom landing rights in China i.e. rights to drop off and pick up cargos.	If Transmile becomes too successful, the major passenger airlines may add cargo capacity and compete with it.
<b>Media Prima</b>	Monopoly position	Susceptible to weak ad demand	TV as a % of adex is small versus 45% for the region; hence there are opportunities for TV adex to improve; thus benefiting MPR	Newspaper remains a competitor for adex
<b>IGB</b>	Strong brand name in niche high end prop development; Good track record in hotel, shopping mall and property management; Owner of prime commercial properties	Conservative management style and fast depleting prime landbank	Demand is strong for commercial properties especially prime office and hotels. Opportunities to unlock values especially low yielding assets and move rental and hotel average room rate up	Lack of LT regulatory proper planning and control could result in over supply of new office space at decentralised location. This will have a negative impact on occupancy and future rental trend.
<b>KLCC</b>	Owner of the most prime and well managed commercial assets in KL; Management expertise can be exported	Assets owned are iconic to the nation and hence unlikely to be sold to realise full market value. Main office buildings like Petronas Twin Towers have LT tenancy agreement with locked in rental rate. Less leverage to current uptrend in office rental rates.	Asset rich parent offers good acquisition pipeline and growth opportunities	Demand for its premium office rental space comes mainly from multinational companies. Declining FDI weakens demand growth. Government's restrictive policy on foreign ownership of Malaysian property could continue to depress property valuation in the country

Source: Deutsche Bank

Figure 8: Valuation comps of small-/mid-cap companies under DB Malaysia Universe

Company Name	BB Code	Share price (RM)	14-Nov	Target Price (RM)	Potential Upside %	DB's Call	Mkt Cap USDm	Avg Daily T/O	EPS growth	PER (x)	P/B (x)		ROE (%)		Dividend Yield (%)		EV/EBITDA (x)								
											2006E	2007E	2008E	2006E	2007E	2008E	2006E	2007E	2008E	2006E	2007E	2008E			
JM Corp *	LJM MK	6.50	7.65	17.7	Buy	892	2.09	21.2	14.8	22.0	15.9	13.8	11.2	1.4	1.2	1.2	9.3	11.0	11.3	1.7	1.8	1.8	11.8	10.0	7.6
Transmile	TGB MK	12.60	14.70	16.7	Buy	817	1.21	63.1	16.1	24.5	20.0	17.3	13.8	2.7	2.1	1.8	14.5	14.1	13.9	0.2	0.2	0.2	10.9	8.9	7.6
Media Prima	MPR MK	2.23	2.60	16.6	Buy	454	0.50	7.2	39.6	-1.6	22.3	14.9	15.9	14.9	8.3	4.0	91.2	68.7	32.6	0.9	1.3	2.2	9.0	7.1	4.7
Road Builder *	RBH MK	3.16	3.80	20.3	Buy	452	1.43	21.0	26.3	22.9	18.6	15.0	12.2	1.1	1.0	1.0	5.6	6.8	8.0	2.2	2.5	2.8	13.8	12.2	10.8
Asia File *	AF MK	5.75	7.00	21.7	Buy	111	0.04	35.8	24.8	35.7	9.7	7.8	5.8	2.1	1.7	1.3	23.2	24.2	25.5	5.6	7.7	10.4	6.0	4.0	2.3
IGB	IGB MK	1.66	2.08	25.3	Buy	667	0.69	22.1	4.7	15.6	18.4	18.4	15.1	1.0	1.0	0.9	5.4	5.4	6.1	1.2	1.2	1.8	12.4	12.0	9.9
Landmarks ^	LMK MK	1.76	1.86	5.7	Buy	232	0.92	34.3	19.8	-7.7	16.0	2.0	14.7	1.9	1.0	0.9	12.7	65.5	6.6	1.1	2.3	2.3	6.8	2.8	2.9
Litrak *	LTK MK	2.78	4.00	43.9	Buy	372	0.21	-7.4	61.6	12.7	18.5	11.1	9.9	1.7	1.5	1.4	8.6	14.0	14.2	2.5	2.5	2.5	8.4	6.0	5.0
KLCC *	KLCC MK	2.42	2.90	19.8	Buy	620	0.41	11.6	10.5	15.5	11.5	10.5	9.0	0.7	0.7	0.6	7.0	6.5	7.2	3.3	3.7	4.1	9.7	9.2	8.6
<b>DB Malaysia Universe</b>						<b>OW 126,761</b>	<b>115</b>	<b>16.6</b>	<b>15.1</b>	<b>10.4</b>	<b>16.1</b>	<b>14.0</b>	<b>12.1</b>	<b>2.2</b>	<b>2.0</b>	<b>na</b>	<b>13.9</b>	<b>15.3</b>	<b>na</b>	<b>3.6</b>	<b>3.5</b>	<b>na</b>	<b>8.8</b>	<b>7.8</b>	<b>na</b>

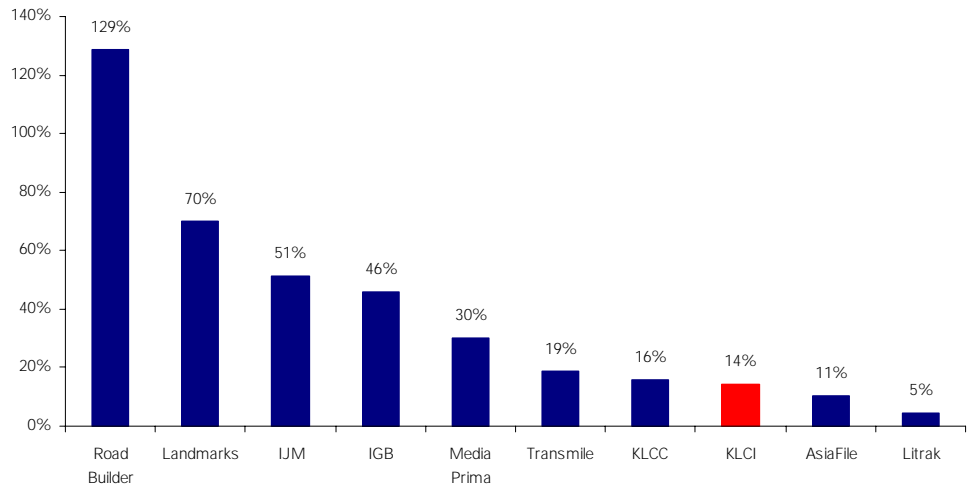
\*Forecasts are for FY07, FY08 &amp; FY09

^El gain from divestment of Sungai Wang Plaza in FY2007E

Source: Deutsche Bank, Bloomberg

**Starting to outperform, but  
more to come ...**

**Figure 9: YTD share price performances**



Source: Deutsche Bank, Bloomberg

## Key risks

### IJM Corp

- Execution risks relating to its all-time high orderbook
- Slow and cumbersome merger integration process with Road Builder
- Further losses in Indian toll roads operations
- Competition in Malaysia for construction jobs, which may see margins thinning

### Transmile

- Further delay in the addition of wide body aircraft to its fleet, past our mid 2007 current assumption will cause us to downgrade earnings.
- Threats from major passenger airlines to add cargo capacity and compete

### Media Prima

- Fall in advertising demand
- More-off costs from NSTP. Media Prima has a 43% stake in NSTP.
- Threat from newspapers as a competition for adex

### IGB Corp

- Unexpected economic downturn affecting occupancies and rental rate revisions for the new NLA currently under construction
- Interest rate hikes
- Fast depleting prime landbank
- Lack of long-term regulatory proper planning and control could result in over supply of new office space at decentralized locations. This will have a negative impact on occupancy and future rental trends.

**KLCC Prop**

- Sharp downturn in the domestic economy which may affect occupancy rates and rental rate revisions for NLA under construction
- Interest rate hikes
- Sustainability of current premium rental rate
- Demand for its premium office rental space comes mainly from multinational companies. Declining FDI weakens demand growth. Government's restrictive policy on foreign ownership of Malaysian property could continue to depress property valuation in the country.

**GEMS: Asia** Malaysia  
**Transportation** Infrastructure

14 November 2006

# IJM Corp

Reuters: **IJMS.KL** Bloomberg: **IJM MK**

## Construction whiz

### Company background

IJM has four core businesses, namely construction and engineering, properties, manufacturing/quarrying and plantations. IJM also has an infrastructure division that holds a few concession assets, but this division is small. Construction is the largest contributor amounting to 41% of FY06 pre-tax earnings. IJM's ability to aggressively replenish its orderbook should ensure that construction will continue to be the key contributor to the group in the next three years. We forecast the construction division to contribute around 46% in FY07E. In mid-Oct, IJM announced a proposed acquisition of Road Builder (RBH) at an indicative offer price of RM3.00 per RBH share, which will be satisfied by the issuance of one new IJM share at RM6.00/share for every two existing RBH shares held. IJM's rationale behind the proposed acquisition is: (1) to increase recurring income and cash flow from RBH's port and toll operations and, (2) to increase the staff force in its construction division because it is having difficulty recruiting people to execute its record high orderbook.

### Three reasons to Buy the stock

We forecast a 15-23% growth p.a. in FY07-09, which is supported by: (1) an all-time high RM4.5bn construction orderbook in hand, (2) an improving building materials division, which now contributes a significant 18% to pre-tax earnings. Strong growth is coming mainly from the sale of piles and the contribution from its overseas operations in India (ready-mixed concrete) and China (spun piles), and (3) strong growth from its Indian property and construction operations. The current earnings forecasts are conservative because it does not assume any new orders. Every additional RM500m in work will boost FY08 net EPS by 3.8%. The government is expected to increase net development expenditure by 54% from 2005 to 2007.

### Valuation & risks

Our RM7.65/share target price is based on FD 18x P/E. We think the stock should trade at a premium to the Malaysian market average of around 14x because of its superior earnings growth prospects. We see the key risks as execution risks relating to its all-time high orderbook. Slow and cumbersome merger integration process is another key risk.

### Forecasts and ratios

Year End Mar 31	2005A	2006A	2007E	2008E	2009E
Sales (MYRm)	1,802.3	1,665.9	<b>2,399.3</b>	3,604.2	4,525.5
EBITDA (MYRm)	328.3	321.2	<b>351.4</b>	625.4	801.2
Reported NPAT (MYRm)	185.5	160.4	<b>198.0</b>	320.0	427.7
Reported EPS (MYR)	0.43	0.34	<b>0.41</b>	0.47	0.58
DB EPS FD(MYR)	0.42	0.32	<b>0.37</b>	0.43	0.53
DB EPS growth (%)	85.5	-23.6	<b>14.9</b>	17.6	21.9
PER (x)	11.3	14.8	<b>17.7</b>	15.0	12.3
EV/EBITDA (x)	8.3	9.7	<b>11.9</b>	10.0	7.7
DPS (net) (MYR)	0.11	0.11	<b>0.11</b>	0.12	0.12
Yield (net) (%)	2.3	2.3	<b>1.7</b>	1.8	1.9

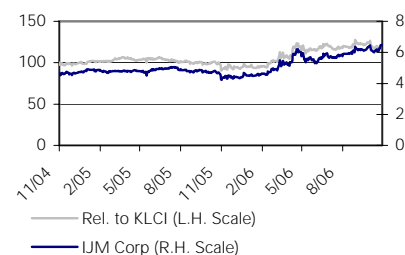
Source: Deutsche Bank estimates, company data

<sup>1</sup> DB EPS is fully diluted and excludes non-recurring items<sup>2</sup> Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

### Buy

Price at 13 Nov 2006 (MYR)	<b>6.50</b>
Price target - 12mth (MYR)	<b>7.65</b>
52-week range (MYR)	<b>6.50 - 4.22</b>
KLCI	<b>1,020</b>

### Price/price relative



Performance (%)	1m	3m	12m
Absolute	2.4	12.1	38.9
KLCI	3.7	8.2	13.5

### Stock data

Market cap (MYRm)	<b>3,120</b>
Market cap (USDm)	<b>858</b>
Shares outstanding (m)	<b>479.9</b>
Major shareholders	<b>Tronoh (18.7%)</b>
Free float (%)	<b>54</b>

### Key indicators

ROE (%)	<b>9.3</b>
Net debt/equity (%)	<b>32.0</b>
Book value/share (MYR)	<b>4.61</b>
Price/book (x)	<b>1.4</b>
Net interest cover (x)	<b>7.3</b>
Operating profit margin (%)	<b>12.2</b>

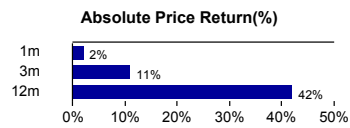
Model updated: 31 October 2006

**Equity Research**  
**Asia**  
**Malaysia**  
**Infrastructure**  
**IJM Corp**  
 Reuters code **IJMS.KL**  
**Buy**  
 Price as at 14-Nov **RM6.50**  
 Target Price **RM7.65**

Company Website  
<http://www.ijm.com>

**Company description**  
 IJM is a construction based conglomerate

**Research Team**  
**Joe Liew, CFA**  
 +603 2053 6769 [joe.liew@db.com](mailto:joe.liew@db.com)



52-week Range: **RM4.22 - RM6.50**  
 Market Cap (m): **RM 3,249**  
**US\$ 893**

**Company identifiers**  
 Bloomberg **IJM MK**  
 Cusip **NA**  
 SEDOL **6455217**

**Y/E 31 March** **2002** **2003** **2005** **2006** **2007E** **2008E** **2009E**

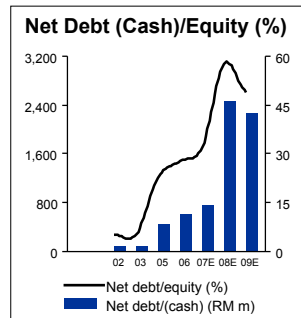
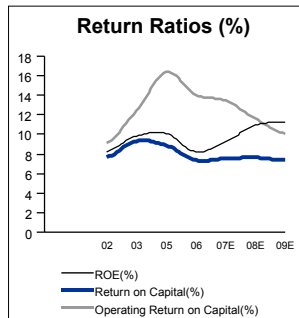
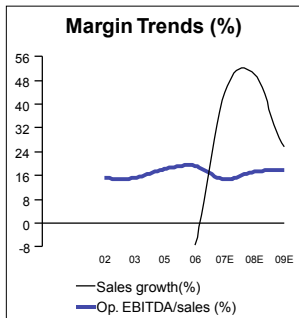
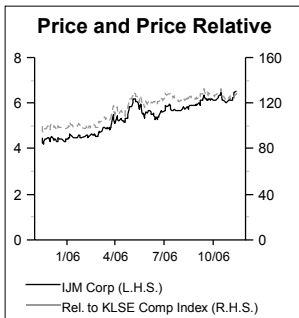
<b>SUMMARY</b>							
Reported EPS (RM)	0.34	0.39	0.43	0.34	0.41	0.47	0.58
P/E ratio (Reported) (x)	11.0	12.4	11.0	13.9	15.8	13.7	11.2
Reported EPS growth (%)	nm	14.6	nm	-20.8	21.2	14.8	22.0
DB EPS FD (RM)	0.32	0.38	0.42	0.32	0.37	0.43	0.53
P/E ratio (DB) (x)	11.5	12.6	11.3	14.8	17.7	15.0	12.3
Operating CFPS (RM)	0.21	0.27	0.54	0.32	-0.00	0.05	0.33
Free CFPS (RM)	-0.18	-0.08	0.10	-0.36	-0.11	-0.06	0.22
P/CFPS (x)	18.2	17.9	8.7	15.0	nm	130.0	20.0
DPS (RM)	0.09	0.11	0.11	0.11	0.11	0.12	0.12
Dividend yield (%)	2.3	2.2	2.3	2.3	1.7	1.8	1.9
BV/Share (RM)	4.14	3.95	4.01	4.30	4.61	5.37	5.36
Price/BV (x)	1.18	1.09	1.20	1.18	1.41	1.21	1.21
Weighted average shares (m)	352	372	432	471	480	676	740
Average market cap (RM m)	1,318	1,806	2,045	2,237	3,249	3,249	3,249
Enterprise Value (RM m)	1,603	2,012	2,716	3,112	4,294	6,397	6,263
EV/Sales	1.2	1.5	1.5	1.9	1.8	1.8	1.4
EV/EBITDA	8.2	9.7	8.3	9.7	12.2	10.2	7.8
EV/EBIT	9.6	11.2	9.8	11.7	14.7	12.1	9.0
EV/Operating Capital	1.3	2.4	2.2	2.2	2.5	1.3	1.2

<b>INCOME STATEMENT (RM m)</b>							
Sales revenue	1,295	1,364	1,802	1,666	2,399	3,604	4,526
Operating EBITDA	195	207	328	321	351	625	801
Depreciation	26	26	52	56	59	81	85
Amortisation	2	2	0	0	0	14	20
Operating EBIT	166	179	277	265	293	530	696
Net interest income (expense)	-8	-8	-41	-49	-40	-76	-98
Associates/affiliates	18	35	48	43	37	41	42
Investment and other income/expense	0	0	0	0	0	0	0
Exceptionals/extraordinaries	15	0	0	0	9	0	0
Income tax expense	55	56	79	76	78	129	166
Minorities/preference dividends	16	5	19	23	23	46	46
Net income	120	146	185	160	198	320	428

<b>CASH FLOW (RM m)</b>							
Cash flow from operations	72	101	234	149	-2	34	241
Movement in net working capital	124	68	-304	-52	-235	-387	-296
Capex	-135	-131	-189	-318	-50	-73	-80
Free cash flow	-63	-30	45	-169	-52	-39	161
Other investing activities	-74	-32	-221	27	0	0	0
Equity raised/(bought back)	43	54	237	92	1	0	1
Dividends paid	-30	-38	-55	-59	-52	-78	-91
Net inc/(dec) in borrowings	-1	52	243	323	112	2,252	15
Other financing cash flows	362	48	-375	-62	-45	-1,565	109
Total cash flows from financing	375	115	49	294	16	610	35
Net cash flow	238	54	-127	152	-36	571	196
Movement in net debt/(cash)	-238	-2	370	171	148	1,681	-181

<b>BALANCE SHEET (RM m)</b>							
Cash and other liquid assets	238	292	165	317	281	852	1,048
Tangible fixed assets	674	250	349	466	487	3,049	3,044
Goodwill	0	0	0	0	0	0	0
Other intangible assets	3	11	58	61	61	61	61
Associates/investments	387	757	1,207	1,410	1,447	1,658	1,700
Other assets	1,287	1,181	1,672	1,863	2,637	3,912	4,886
Total assets	2,590	2,491	3,449	4,117	4,884	9,531	10,739
Interest bearing debt	320	372	615	938	1,050	3,302	3,317
Other liabilities	703	658	861	943	1,430	1,987	2,796
Total liabilities	1,023	1,030	1,476	1,881	2,479	5,289	6,113
Shareholders' equity	1,457	1,509	1,839	2,066	2,212	3,628	3,965
Minorities	103	18	135	169	192	614	660
Total shareholders' equity	1,560	1,528	1,974	2,235	2,404	4,242	4,625
Net working capital	587	501	805	989	1,426	2,134	2,684
Net debt/(cash)	82	80	450	621	769	2,450	2,269
Capital	1,642	1,608	2,424	2,857	3,173	6,692	6,895

<b>RATIO ANALYSIS</b>							
Sales growth (%)	nm	5.3	nm	-7.6	44.0	50.2	25.6
Op. EBITDA/sales (%)	15.0	15.2	18.2	19.3	14.6	17.4	17.7
Op. EBIT/sales (%)	12.9	13.1	15.3	15.9	12.2	14.7	15.4
Payout ratio (%)	25.3	27.6	25.1	31.7	26.2	24.3	21.2
ROE (%)	8.3	9.8	10.1	8.2	9.3	11.0	11.3
Return on Capital (%)	7.7	9.3	8.9	7.4	7.5	7.6	7.4
Operating Return on Capital (%)	9.1	12.4	16.4	14.1	13.5	11.6	10.1
Capex/sales (%)	10.5	9.6	10.5	19.1	2.1	2.0	1.8
Capex/depreciation (x)	5.2	5.1	3.7	5.7	0.9	0.9	0.9
Net debt/equity (%)	5.2	5.2	22.8	27.8	32.0	57.8	49.1
Net interest cover (x)	20.8	23.1	6.7	5.4	7.3	7.0	7.1



Source: Deutsche Bank AG estimates, company data

**GEMS: Asia** Malaysia  
**Transportation** Logistics

14 November 2006

# Transmile Group BHD

Reuters: **TMGB.KL** Bloomberg: **TGB MK**

## Express air cargo operator

### Company background

Transmile (TGB) is a niche express and time-sensitive air cargo operator. TGB's primary business is chartering out its capacity to clients, most of which are courier and logistics companies such as DHL. TGB typically passes most of its fuel cost to its customers and hence volatile fuel price has little impact on margins. It currently has 18 aircraft in its fleet. Pos Malaysia (17.3%) and the Kuok group (19.6%) are its key strategic shareholders. Its partnership with the Kuok group and its landing rights will help it tap into China's high-growth market.

### Three reasons to Buy the stock

We expect a 35% EPS CAGR in FY05-08. Our strong growth assumptions are underpinned by, (1) strong future business fundamentals, TGB recorded a 30% CAGR over the past five years and future growth is expected to be strong due to increasing utilization of its existing four MD11, and capacity addition driven by strong demand from customers, (2) status as Malaysia's designated carrier. This status allows the company to gain various global landing rights through the Malaysian governments' bilateral relationship with other countries. It has 'fifth freedom rights' to operate 21 flights per week out of Shanghai and other points in China, which it has not utilized yet, and (3) a Strategic Network Alliance Agreement with DHL in June 2006. The agreement is for a period of 10 years (5 years firm, 5 years option). DHL accounts for circa 40% of total revenue by our estimates. In our opinion, TGB will be able to plan expansion and route networks better with this agreement.

### Valuation & risks

Our target price of RM14.70 is based on 21x FD FY07E P/E. We think the premium to the Malaysian market average of 14x is justified because of its superior earnings growth prospects. We expect EPS CAGR of 35% from 2005 to 2008. Key risk is further delay in the addition of wide body aircraft to its fleet. Our current earnings forecasts have assumed two wide bodies delivered in mid 2007 and two in mid 2008.

### Forecasts and ratios

Year End Dec 31	2004A	2005A	2006E	2007E	2008E
Sales (MYRm)	346.2	550.1	<b>1,159.1</b>	1,347.9	1,613.4
EBITDA (MYRm)	126.4	159.4	<b>336.5</b>	395.4	478.6
Reported NPAT (MYRm)	45.5	84.4	<b>147.6</b>	188.6	234.7
Reported EPS (MYR)	0.25	0.39	<b>0.63</b>	0.73	0.91
DB EPS FD(MYR)	0.23	0.35	<b>0.61</b>	0.70	0.86
DB EPS growth (%)	-6.3	53.1	<b>76.5</b>	15.0	22.6
PER (x)	30.4	29.3	<b>20.8</b>	18.1	14.7
EV/EBITDA (x)	10.8	17.6	<b>10.8</b>	8.9	7.6
DPS (net) (MYR)	0.02	0.02	<b>0.02</b>	0.02	0.02
Yield (net) (%)	0.2	0.2	<b>0.2</b>	0.2	0.2

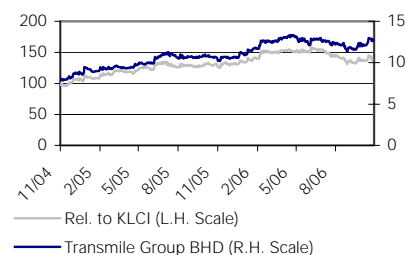
Source: Deutsche Bank estimates, company data

<sup>1</sup> DB EPS is fully diluted and excludes non-recurring items<sup>2</sup> Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

### Buy

Price at 13 Nov 2006 (MYR)	<b>12.70</b>
Price target - 12mth (MYR)	<b>14.70</b>
52-week range (MYR)	<b>13.30 - 10.20</b>
KLCI	<b>1,020</b>

### Price/price relative



Performance (%)	1m	3m	12m
Absolute	2.4	2.4	18.7
KLCI	3.7	8.2	13.5

### Stock data

Market cap (MYRm)	<b>2,984</b>
Market cap (USDm)	<b>821</b>
Shares outstanding (m)	<b>235.0</b>
Major shareholders	<b>Trinity Coral (20.7%)</b>
Free float (%)	<b>60</b>

### Key indicators

ROE (%)	<b>14.5</b>
Net debt/equity (%)	<b>60.7</b>
Book value/share (MYR)	<b>4.64</b>
Price/book (x)	<b>2.7</b>
Net interest cover (x)	<b>5.5</b>
Operating profit margin (%)	<b>21.6</b>

Model updated: 1 November 2006

**Equity Research**

**Asia**

**Malaysia**

**Transportation**

**Transmile Group Bhd**

Reuters code **TMGB.KL**

**Buy**

Price as at 14-Nov **RM12.60**

Target Price **RM14.70**

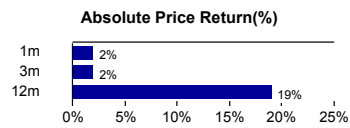
Company Website  
http://www.transmile.com

**Company description**

Transmile group focusses on providing express airfreight services to courier and logistic companies such as DHL and UPS. It also provides dedicated aircraft charter and aircraft leasing.

**Research Team**

**Joe Liew, CFA**  
+603 2053 6769 [joe.liew@db.com](mailto:joe.liew@db.com)



52-week Range: **RM10.20 - RM13.30**  
Market Cap (m): **RM 2,975**  
**US\$ 818**

**Company identifiers**

Bloomberg **TGB MK**  
Cusip **NA**  
SEDOL **6905477**

**Y/E 31 December** **2002** **2003** **2004** **2005** **2006E** **2007E** **2008E**

**SUMMARY**

Reported EPS (RM)	0.15	0.24	0.25	0.39	0.63	0.73	0.91
P/E ratio (Reported) (x)	16.1	14.4	27.2	26.3	20.1	17.3	13.9
Reported EPS growth (%)	nm	65.5	4.2	53.2	63.1	16.1	24.5
DB EPS FD (RM)	0.15	0.24	0.23	0.35	0.61	0.70	0.86
P/E ratio (DB) (x)	16.1	14.4	30.3	29.3	20.6	17.9	14.6
Operating CFPS (RM)	0.73	0.48	0.59	1.41	0.49	1.12	1.36
Free CFPS (RM)	-0.16	0.01	-0.24	-3.20	-0.21	-0.69	-0.46
P/CFPS (x)	3.2	7.2	11.5	7.2	25.9	11.2	9.2
DPS (RM)	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Dividend yield (%)	1.0	0.6	0.2	0.2	0.2	0.2	0.2
BV/Share (RM)	1.81	2.04	3.13	4.06	4.64	6.11	7.00
Price/BV (x)	1.35	2.43	2.84	2.61	2.71	2.06	1.80
Weighted average shares (m)	150	154	181	219	235	259	259
Average market cap (RM m)	352	534	1,238	2,220	2,975	2,975	2,975
Enterprise Value (RM m)	534	710	1,365	2,813	3,625	3,495	3,616
EV/Sales	2.4	2.5	3.9	5.1	3.1	2.6	2.2
EV/EBITDA	7.1	6.9	10.8	17.6	10.8	8.8	7.6
EV/EBIT	10.7	9.9	14.3	22.8	14.5	11.5	9.8
EV/Operating Capital	1.2	1.4	1.8	1.8	2.1	1.7	1.5

**INCOME STATEMENT (RM m)**

Sales revenue	219	289	346	550	1,159	1,348	1,613
Operating EBITDA	75	102	126	159	336	395	479
Depreciation	25	30	31	36	86	90	111
Amortisation	0	0	0	0	0	0	0
Operating EBIT	50	72	95	123	250	305	367
Net interest income (expense)	-8	-7	-8	-15	-45	-47	-50
Associates/affiliates	0	0	-1	0	0	0	0
Investment and other income/expense	1	0	1	11	0	0	0
Exceptionals/extraordinaries	0	0	-2	0	0	0	0
Income tax expense	15	16	24	36	57	70	82
Minorities/preference dividends	7	11	17	0	0	0	0
Net income	22	38	45	84	148	189	235

**CASH FLOW (RM m)**

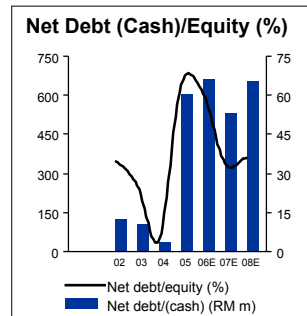
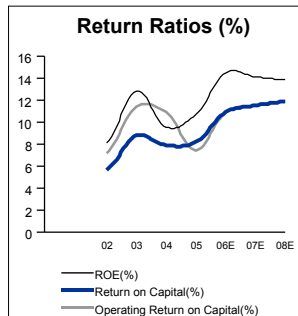
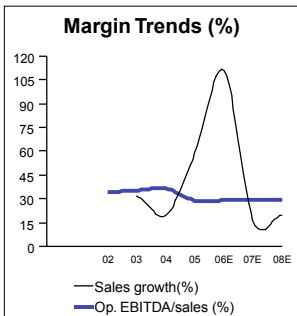
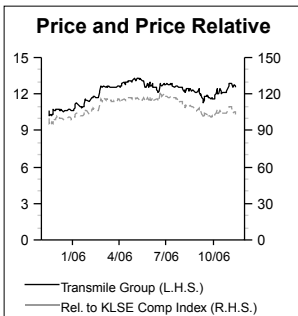
Cash flow from operations	110	74	107	308	114	291	352
Movement in net working capital	42	-17	-8	151	-131	-34	-48
Capex	-134	-72	-151	-1,008	-164	-470	-470
Free cash flow	-24	2	-43	-700	-50	-179	-118
Other investing activities	-4	0	19	-108	0	0	0
Equity raised/(bought back)	25	17	110	239	1	306	0
Dividends paid	-5	-3	-3	-5	-5	-6	-6
Net inc/(dec) in borrowings	13	-15	61	669	-2	106	95
Other financing cash flows	14	1	-9	1	-2	10	3
Total cash flows from financing	47	-1	158	904	-8	416	92
Net cash flow	20	1	134	96	-58	236	-25
Movement in net debt/(cash)	-6	-16	-73	573	55	-131	120

**BALANCE SHEET (RM m)**

Cash and other liquid assets	31	32	165	261	202	437	412
Tangible fixed assets	446	475	595	1,567	1,645	2,024	2,383
Goodwill	1	1	1	1	1	1	1
Other intangible assets	0	0	0	0	0	0	0
Associates/investments	19	19	0	0	0	0	0
Other assets	110	127	328	204	442	512	610
Total assets	606	654	1,089	2,034	2,290	2,974	3,406
Interest bearing debt	152	137	198	867	865	971	1,066
Other liabilities	103	103	154	219	337	419	523
Total liabilities	255	241	352	1,086	1,202	1,389	1,589
Shareholders' equity	271	322	629	947	1,091	1,580	1,809
Minorities	80	91	108	0	0	0	0
Total shareholders' equity	350	413	737	947	1,091	1,580	1,809
Net working capital	35	67	228	78	207	241	288
Net debt/(cash)	122	106	33	606	663	533	654
Capital	472	519	770	1,553	1,754	2,113	2,463

**RATIO ANALYSIS**

Sales growth (%)	nm	31.9	19.7	58.9	110.7	16.3	19.7
Op. EBITDA/sales (%)	34.3	35.4	36.5	29.0	29.0	29.3	29.7
Op. EBIT/sales (%)	22.8	24.9	27.6	22.4	21.6	22.6	22.8
Payout ratio (%)	15.3	8.8	6.8	5.6	3.4	3.0	2.4
ROE (%)	8.1	12.8	9.6	10.7	14.5	14.1	13.9
Return on Capital (%)	5.7	8.8	7.9	8.2	10.9	11.5	11.9
Operating Return on Capital (%)	7.2	11.4	10.9	7.5	10.9	11.5	11.9
Capex/sales (%)	61.0	24.9	43.5	183.3	14.1	34.9	29.1
Capex/depreciation (x)	5.3	2.4	4.9	27.9	1.9	5.2	4.2
Net debt/equity (%)	34.8	25.6	4.5	64.0	60.7	33.8	36.1
Net interest cover (x)	6.6	9.9	12.7	8.2	5.5	6.5	7.3



Source: Deutsche Bank AG estimates, company data

**GEMS: Asia** Malaysia  
**Media**

13 November 2006

# Media Prima Bhd

Reuters: **MPRM.KL** Bloomberg: **MPR MK**

## Abundance of benefits from a complete media platform

### Company background

Media Prima (MPR) is a leading integrated media groups and it currently owns TV3, (100%), 8TV (80%), Natseven TV (100%) and TV9 (100%). MPR also owns 43% stake in NSTP and has interest in two radio stations - Fly.FM and Hot.Fm. Collectively, they command 83% of FTA adex shares and 69% of the viewership shares (includes TV9's previous viewership before they ceased operation).

MPR is currently looking into various options with regards to its 43% NSTP stake. We believe management could potentially distribute NSTP's shares to MPR's shareholders as a form of capital repayment. Assuming they distribute a 23% stake, it equates to 50m shares; one NSTP share for every 15 MPR shares held.

### Three reasons to Buy the stock

Our strong earnings projection is underpinned by: (1), continual improvements from 8TV, NTV7 and TV9 in terms of operationality as well as higher capacity utilisation. (2), reduction in discount across all channels. MPR's 1H06 average discount was 50%, down from 56% last year. A quick sensitivity analysis suggests that a 1ppt reduction in discount would positively impact our earnings by 2%. (3), competition is not as strife in Malaysia when compared to Indonesia and Thailand. Both Indonesia and Thailand have more than five FTA operators who are gunning for that 1ppt increase in adex share. In addition, we believe TV is already a saturated market in both the countries. In Malaysia, MPR is the dominant player and its closest competitor is Astro. Because less than five of Astro's 63 channels are widely watched (40 channels are allowed to accept ads), we do not view Astro as a threat to MPR in the medium term. In addition, Astro does not expect ad revenue to make up more than 10% of the total revenue (currently at 7%).

### Valuation & risks

Our target price of RM2.60 is based on MPR's RNAV, derived from the sum of the DCF values of TV3, 8TV, Channel 9, NT7 and its 43% stake in NSTP. While the fully diluted PE looks expensive at 19x FY07F earnings, we believe MPR deserves to trade at a premium to the market, given its growth potential (three-year EPS Cagr of 26%). Key risks are fall in ad demand and more one-off costs from NSTP.

### Forecasts and ratios

Year End Dec 31	2004A	2005A	2006E	2007E	2008E
Sales (MYRm)	327.3	397.7	551.4	614.9	654.1
EBITDA (MYRm)	67.8	95.4	146.4	169.2	186.5
Reported NPAT (MYRm)	36.5	55.5	62.6	87.3	102.8
Reported EPS (MYR)	0.07	0.10	0.10	0.15	0.14
DB EPS FD(MYR)	0.06	0.08	0.08	0.11	0.13
DB EPS growth (%)	-81.5	46.1	-9.4	47.4	17.7
PER (x)	30.2	19.3	28.0	19.0	16.2
EV/EBITDA (x)	12.8	10.4	9.1	7.3	4.8
DPS (net) (MYR)	0.00	0.01	0.02	0.03	0.05
Yield (net) (%)	0.0	0.9	1.1	1.5	2.3

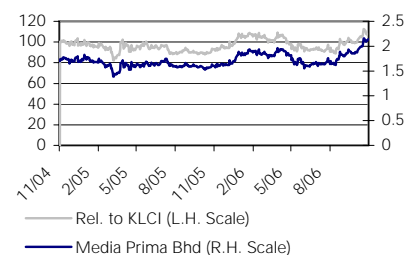
Source: Deutsche Bank estimates, company data

<sup>1</sup> DB EPS is fully diluted and excludes non-recurring items<sup>2</sup> Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

### Buy

Price at 13 Nov 2006 (MYR)	2.14
Price target - 12mth (MYR)	2.60
52-week range (MYR)	2.16 - 1.55
KLCI	1,022

### Price/price relative



Performance (%)	1m	3m	12m
Absolute	13.8	25.7	32.9
KLCI	3.9	8.5	13.8

### Stock data

Market cap (MYRm)	1,284
Market cap (USDm)	353
Shares outstanding (m)	600.1
Major shareholders	Gabungan Kesturi (15.7%)
Free float (%)	72

### Key indicators

ROE (%)	91.2
Net debt/equity (%)	438.3
Book value/share (MYR)	0.15
Price/book (x)	13.8
Net interest cover (x)	4.8
Operating profit margin (%)	20.4

Model updated: 7 November 2006

**Equity Research**

Asia

Malaysia

Media/Publishing

**Media Prima**

Reuters code MPRM.KL

**Buy**

Price as at 14-Nov RM2.21

Target Price RM2.60

Company Website  
http://www.mediaprima.com.my

**Company description**

Television

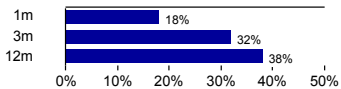
**Research Team**

**Pauline Chong**

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pauline-kl.chong@db.com

**Absolute Price Return(%)**



52-week Range: RM1.55 - RM2.16

Market Cap (m): RM 1,640

US\$ 451

**Company identifiers**

Bloomberg MPR MK

Cusip NA

SEDOL 6812555

**Y/E 31 December**

**SUMMARY**

	2002	2003	2004	2005	2006E	2007E	2008E
Reported EPS (RM)	-0.11	0.31	0.07	0.10	0.10	0.15	0.14
P/E ratio (Reported) (x)	nm	2.4	25.8	16.7	21.2	15.2	15.4
Reported EPS growth (%)	nm	nm	-78.3	44.2	7.2	39.6	-1.6
DB EPS FD (RM)	-0.11	0.31	0.06	0.08	0.08	0.11	0.13
P/E ratio (DB) (x)	nm	2.4	30.1	19.3	28.9	19.6	16.7
Operating CFPS (RM)	0.18	0.06	-0.01	0.34	0.16	0.28	0.27
Free CFPS (RM)	0.16	0.01	-0.03	0.16	0.04	0.24	0.23
P/CFPS (x)	2.2	12.9	nm	4.8	13.9	7.8	8.3
DPS (RM)	0	0	0	0.01	0.02	0.03	0.05
Dividend yield (%)	0	0	0	0.9	1.0	1.4	2.2
BV/Share (RM)	-1.39	0.41	0.48	0.07	0.15	0.27	0.56
Price/BV (x)	nm	3.65	3.60	23.09	14.26	8.23	3.93
Weighted average shares (m)	264	541	541	570	600	600	718
Average market cap (RM m)	104	404	940	926	1,640	1,640	1,640
Enterprise Value (RM m)	532	339	869	991	1,689	1,583	1,245
EV/Sales	2.2	0.9	2.7	2.5	3.1	2.6	1.9
EV/EBITDA	9.1	4.6	12.8	10.4	11.5	9.4	6.7
EV/EBIT	21.6	8.7	18.7	13.9	15.0	11.6	8.1
EV/Operating Capital	8.8	0.7	1.7	2.2	3.4	3.4	2.7

**INCOME STATEMENT (RM m)**

Sales revenue	244	371	327	398	551	615	654
Operating EBITDA	58	74	68	95	146	169	186
Depreciation	10	38	33	22	30	31	30
Amortisation	23	-4	-12	2	4	2	2
Operating EBIT	25	39	46	72	112	136	154
Net interest income (expense)	-37	-39	-14	-15	-24	-22	-17
Associates/affiliates	0	6	5	13	-9	7	9
Investment and other income/expense	13	13	10	12	12	13	13
Exceptionals/extraordinary	-7	159	0	-10	3	0	0
Income tax expense	23	10	16	17	31	42	51
Minorities/preference dividends	0	-1	-4	-1	2	5	6
Net income	-30	168	36	55	63	87	103

**CASH FLOW (RM m)**

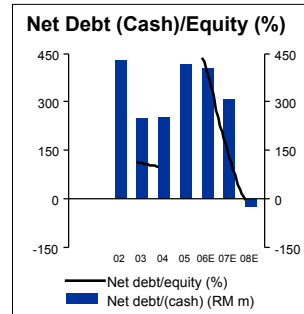
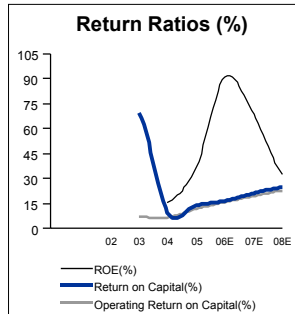
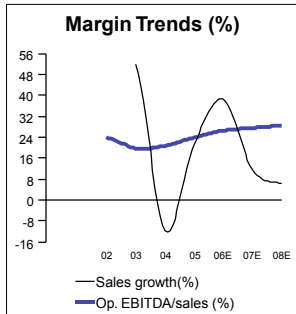
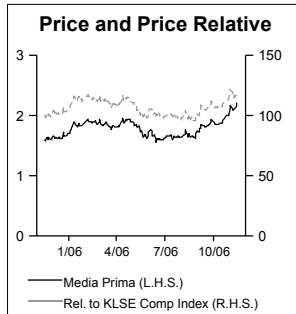
Cash flow from operations	47	31	-3	193	95	171	192
Movement in net working capital	-13	-40	-41	151	-26	9	7
Capex	-5	-25	-13	-101	-69	-25	-25
Free cash flow	41	6	-16	92	26	146	167
Other investing activities	0	0	0	0	0	0	0
Equity raised/(bought back)	0	85	0	59	0	0	0
Dividends paid	0	0	0	-12	-14	-19	-41
Net inc/(dec) in borrowings	-34	-120	-94	196	-3	-24	-197
Other financing cash flows	36	87	13	-304	1	-30	206
Total cash flows from financing	3	52	-81	-60	-16	-74	-32
Net cash flow	44	58	-98	32	10	72	135
Movement in net debt/(cash)	-78	-178	3	164	-14	-96	-332

**BALANCE SHEET (RM m)**

Cash and other liquid assets	77	135	37	69	79	151	286
Tangible fixed assets	240	170	161	238	273	265	257
Goodwill	0	0	0	0	0	0	0
Other intangible assets	39	16	20	32	30	28	26
Associates/investments	3	3	3	2	2	2	2
Other assets	128	427	470	499	563	599	625
Total assets	487	751	690	840	947	1,044	1,196
Interest bearing debt	506	386	291	487	484	460	262
Other liabilities	347	144	144	311	374	423	458
Total liabilities	852	530	435	799	858	883	721
Shareholders' equity	-368	219	257	44	93	161	469
Minorities	3	2	-2	-3	-1	4	10
Total shareholders' equity	-365	221	255	41	92	165	479
Net working capital	-230	-36	2	-137	-123	-144	-162
Net debt/(cash)	428	251	254	419	405	308	-24
Capital	63	472	510	460	497	473	455

**RATIO ANALYSIS**

Sales growth (%)	nm	51.9	-11.8	21.5	38.6	11.5	6.4
Op. EBITDA/sales (%)	23.8	19.8	20.7	24.0	26.6	27.5	28.5
Op. EBIT/sales (%)	10.1	10.5	14.2	18.0	20.4	22.1	23.6
Payout ratio (%)	nm	0	0	14.7	22.0	22.0	34.4
ROE (%)	nm	nm	15.3	36.9	91.2	68.7	32.6
Return on Capital (%)	nm	69.7	9.3	13.9	16.4	21.2	24.6
Operating Return on Capital (%)	nm	6.9	6.4	11.7	15.7	19.3	22.7
Capex/sales (%)	2.1	6.9	4.0	25.3	12.5	4.1	3.8
Capex/depreciation (x)	0.5	0.7	0.4	4.6	2.3	0.8	0.8
Net debt/equity (%)	nm	113.3	99.7	nm	438.3	186.7	-5.0
Net interest cover (x)	0.7	1.0	3.4	4.8	4.8	6.1	9.3



Source: Deutsche Bank AG estimates, company data

**GEMS: Asia** Malaysia  
**Property** Property

13 November 2006

# IGB Corporation Berhad

Reuters: **IGBS.KL** Bloomberg: **IGB MK**

## Asset building and unlocking

### Company Background

IGB is a niche property developer (under the well known Tan & Tan brand name) cum promoter/owner of one of the most successful urban redevelopment project in KL, the Mid Valley City development (MVC). Upon full completion by end 2008, MVC will consist of office blocks, hotels/serviced apartments, as well as one of the most popular sub-urban shopping malls in Malaysia, the Mid Valley Megamall. IGB also owns and manages seven hotels in Malaysia and has developed its own Cititel 3-star hotel chain.

### Three Reasons to Buy the stock

IGB is worth RM2.97 on RNAV, after revaluing its undeveloped landbank, investment property portfolio to yield 5.9-6.4% and estimating the potential value creation from MVC Phase II. On completion of MVC Phase II by end 2008, total NLA under management would grow by 81.3% to 4.68m sq ft. The soon to be completed 800,000 sq ft of 'The Gardens' upmarket retail mall (3Q 2007) and 443,000 sq ft of new office space (1Q 2007) are currently 50% pre-leased. Tight supply of investment-grade office space, increasing foreign appetite as well as the strengthening local REIT scene should sustain capital values and rental rates on its uptrend. Based on most recent hotel transactions (Westin & Crown Princess Hotel in KL) estimated cap rate of 2.5-3.9%, the time is ripe for IGB to unlock values of some of its low-yielding assets like 50%-owned Renaissance Hotel. The Renaissance Hotel has a book value of RM629,540 per room (vs RM1.0m per room transacted for Westin) or a yield of 3.6% based on annualized 1HFY06 Ebit. From the current asset building phase, we believe IGB will be in a position to unlock asset value in two to three years time as its property portfolio matures.

### Valuation & risks

Our target price of RM2.08 was derived after attaching a 30% discount to RNAV. Current 45% discount to RNAV should narrow as asset yields continue to compress and asset values are progressively being realised. Risks include an unexpected economic downturn affecting occupancies and rental rate revisions for new NLA currently under construction, interest rate hikes and fast depleting landbank.

### Forecasts and ratios

Year End Dec 31	2004A	2005A	2006E	2007E	2008E
Sales (MYRm)	504.6	619.7	<b>638.2</b>	698.2	817.5
EBITDA(MYRm)	153.1	197.3	<b>213.8</b>	241.2	305.0
Reported NPAT(MYRm)	101.1	105.5	<b>130.8</b>	138.1	161.0
Reported EPS (MYR)	0.08	0.07	<b>0.09</b>	0.09	0.11
DB EPS FD (MYR)	0.07	0.09	<b>0.09</b>	0.09	0.11
DB EPS growth (%)	29.0	18.1	<b>3.8</b>	5.4	16.6
PER (x)	17.8	14.6	<b>18.6</b>	17.6	15.1
EV/EBITDA (x)	11.3	9.1	<b>12.4</b>	12.0	9.9
DPS (net) (MYR)	0.02	0.02	<b>0.02</b>	0.02	0.03
Yield (net) (%)	1.7	1.7	<b>1.3</b>	1.3	1.8

Source: Deutsche Bank estimates, company data

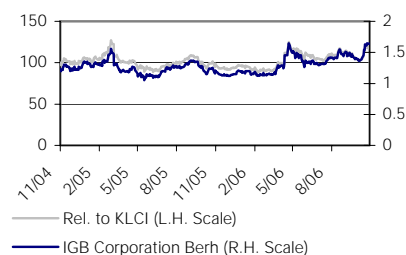
<sup>1</sup> DB EPS is fully diluted and excludes non-recurring items

<sup>2</sup> Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

### Buy

Price at 13 Nov 2006 (MYR)	<b>1.64</b>
Price target - 12mth (MYR)	<b>2.08</b>
52-week range (MYR)	<b>1.65 - 1.12</b>
KLCI	<b>1,022</b>

### Price/price relative



Performance (%)	1m	3m	12m
Absolute	16.3	15.5	34.4
KLCI	3.9	8.5	13.8

### Stock data

Market cap (MYRm)	<b>2,395</b>
Market cap (USDm)	<b>658</b>
Shares outstanding (m)	<b>1,460.6</b>
Major shareholders	<b>Tan family (36.86%)</b>
Free float (%)	<b>46</b>

### Key indicators

ROE (%)	<b>5.4</b>
Net debt/equity (%)	<b>14.4</b>
Book value/share (MYR)	<b>1.70</b>
Price/book (x)	<b>1.0</b>
Net interest cover(x)	<b>8.1</b>
Operating profit margin (%)	<b>27.3</b>

Model updated: 8 May 2006

**Equity Research**

Asia

Malaysia

Property

**IGB Corporation Berhad**

Reuters code IGBS.KL

**Buy**

Price as at 14-Nov RM1.69

Target Price RM2.08

Company Website  
http://www.igb.com.my

**Company description**

IGB Corporation is an investment holding and property development company. Through its subsidiaries, the Company has operations in hotel management, project management and provides construction services.

**Research Team**

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**Y/E 31 December**

**SUMMARY**

	2002	2003	2004	2005	2006E	2007E	2008E
Reported EPS (RM)	0.07	0.13	0.08	0.07	0.09	0.09	0.11
P/E ratio (Reported) (x)	13.8	8.2	16.4	16.9	18.9	18.0	15.6
Reported EPS growth (%)	nm	92.2	-38.6	-6.5	22.1	4.7	15.6
DB EPS FD (RM)	0.04	0.06	0.07	0.09	0.09	0.09	0.11
P/E ratio (DB) (x)	22.6	18.8	17.9	14.6	19.2	18.2	15.6
Operating CFPS (RM)	-0.47	0.35	0.18	0.18	0.07	0.14	0.20
Free CFPS (RM)	-0.94	0.34	0.01	0.03	-0.13	-0.12	-0.05
P/CFPS (x)	nm	3.0	7.3	6.7	24.1	11.7	8.6
DPS (RM)	0.01	0.04	0.02	0.02	0.02	0.02	0.03
Dividend yield (%)	1.2	3.7	1.7	1.7	1.3	1.3	1.7
BV/Share (RM)	1.70	1.80	1.62	1.63	1.70	1.74	1.82
Price/BV (x)	0.50	0.75	0.78	0.71	0.99	0.97	0.93
Weighted average shares (m)	1,018	1,154	1,289	1,437	1,461	1,473	1,485
Average market cap (RM m)	936	1,208	1,656	1,778	2,474	2,474	2,474
Enterprise Value (RM m)	1,514	1,364	1,725	1,798	2,733	2,963	3,101
EV/Sales	3.7	2.6	3.4	2.9	4.3	4.2	3.8
EV/EBITDA	11.2	8.8	11.3	9.1	12.8	12.3	10.2
EV/EBIT	16.0	12.6	15.6	11.3	15.7	15.0	12.9
EV/Operating Capital	0.6	0.6	0.7	0.7	1.0	0.9	0.9

**INCOME STATEMENT (RM m)**

Sales revenue	406	532	505	620	638	698	817
Operating EBITDA	136	154	153	197	214	241	305
Depreciation	41	46	42	38	40	43	65
Amortisation	0	0	0	0	0	0	0
Operating EBIT	95	109	111	159	174	198	240
Net interest income (expense)	-61	-59	-30	-17	-22	-28	-37
Associates/affiliates	68	65	66	52	50	45	47
Investment and other income/expense	0	0	0	0	0	0	0
Exceptionals/extraordinary	12	70	-5	-21	0	0	0
Income tax expense	43	42	39	60	61	65	75
Minorities/preference dividends	3	-5	1	8	11	13	14
Net income	68	148	101	105	131	138	161

**CASH FLOW (RM m)**

Cash flow from operations	-479	399	227	264	102	212	293
Movement in net working capital	-258	-42	108	79	-64	43	65
Capex	-476	-10	-211	-222	-288	-391	-371
Free cash flow	-954	388	16	42	-186	-178	-78
Other investing activities	3	-5	1	8	11	13	14
Equity raised/(bought back)	595	18	180	-11	0	0	0
Dividends paid	-4	-35	-27	-32	-31	-31	-43
Net inc/(dec) in borrowings	270	-248	77	112	7	64	311
Other financing cash flows	52	31	-70	40	0	0	0
Total cash flows from financing	913	-233	161	109	-24	32	268
Net cash flow	-38	150	178	158	-199	-133	205
Movement in net debt/(cash)	309	-398	-101	-46	207	197	106

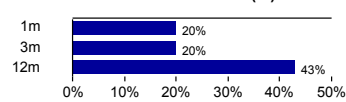
**BALANCE SHEET (RM m)**

Cash and other liquid assets	115	265	443	601	402	269	474
Tangible fixed assets	1,302	1,267	1,436	1,619	1,868	2,215	2,520
Goodwill	0	0	0	0	0	0	0
Other intangible assets	0	0	0	0	0	0	0
Associates/investments	211	213	213	235	213	193	176
Other assets	1,617	1,484	1,369	1,241	1,375	1,382	1,411
Total assets	3,246	3,228	3,460	3,696	3,858	4,060	4,580
Interest bearing debt	826	578	656	768	775	839	1,149
Other liabilities	402	496	444	458	502	521	598
Total liabilities	1,228	1,074	1,099	1,225	1,277	1,359	1,747
Shareholders' equity	1,940	2,099	2,292	2,382	2,482	2,589	2,707
Minorities	78	55	69	89	99	112	126
Total shareholders' equity	2,018	2,154	2,361	2,471	2,581	2,701	2,833
Net working capital	443	486	396	311	375	331	262
Net debt/(cash)	711	313	212	166	373	570	676
Capital	2,729	2,467	2,574	2,637	2,954	3,270	3,509

**RATIO ANALYSIS**

Sales growth (%)	nm	31.2	-5.2	22.8	3.0	9.4	17.1
Op. EBITDA/sales (%)	33.4	29.0	30.3	31.8	33.5	34.5	37.3
Op. EBIT/sales (%)	23.3	20.4	21.9	25.6	27.3	28.4	29.3
Payout ratio (%)	16.2	30.3	27.4	29.3	24.0	22.9	26.5
ROE (%)	3.5	7.3	4.6	4.5	5.4	5.4	6.1
Return on Capital (%)	3.8	7.1	4.9	4.5	5.2	5.1	5.5
Operating Return on Capital (%)	2.1	2.8	3.4	4.4	4.5	4.6	5.0
Capex/sales (%)	117.3	1.9	41.9	35.8	45.2	55.9	45.3
Capex/depreciation (x)	11.6	0.2	5.0	5.8	7.2	9.0	5.7
Net debt/equity (%)	35.2	14.5	9.0	6.7	14.4	21.1	23.8
Net interest cover (x)	1.6	1.8	3.7	9.2	8.1	7.1	6.5

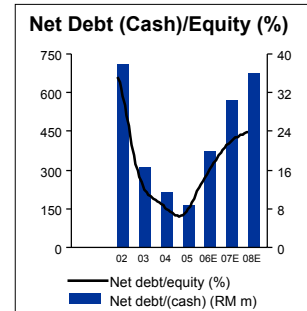
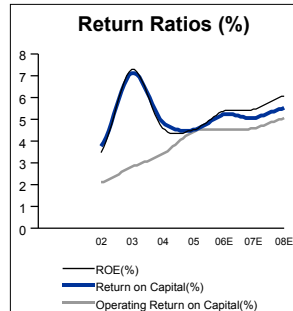
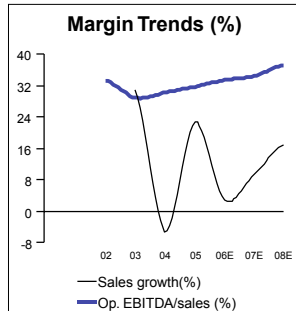
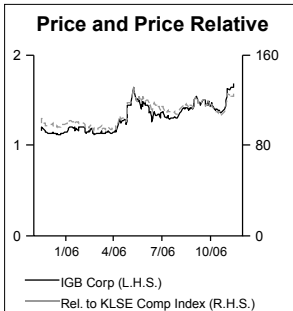
**Absolute Price Return(%)**



52-week Range: RM1.12 - RM1.65  
Market Cap (m): RM 2,474  
US\$ 680

**Company identifiers**

Bloomberg IGB MK  
Cusip NA  
SEDOL 6455273



Source: Deutsche Bank AG estimates, company data

**GEMS: Asia** Malaysia  
**Property** Property

13 November 2006

# KLCC Property

Reuters: **KCCP.KL** Bloomberg: **KLCC MK**

## World class assets

### Company background

KLCC Property (KLCCP) is an investment property company with premium commercial property portfolio in Malaysia. It co-owns commercial assets including the world's tallest Petronas Twin Towers, the Mandarin Oriental Hotel, Suria KLCC Shopping Mall, Menara Maxis and others in the heart of Kuala Lumpur. Through its subsidiaries, KLCCP also has facility management and car park operations.

### Three reasons to Buy the stock

KLCCP's world-class assets which include prime office, retail and hotel are grossly under-valued. At current share price, implied asset yield is 9.7%. This is compelling compared to physical transacted cap rates of between 5-7% and falling. After years of over supply, premium office market in KL is finally enjoying rental and capital values appreciation due to tightening of supply and growing demand. 52% of KLCCP's RNAV falls into this category. Though 86% of KLCCP's office rental revenue (including 33% owned Menara Maxis) has a pre-agreed rental rate hike of 3% pa, yield compression should lead to faster capital appreciation. The development of Lot C into retail and office space is also timely (completion by 2010) to capture the growing demand for premium office space in KL city centre. Moreover, Suria KLCC Shopping Mall and the Mandarin Hotel are well positioned to ride the 2007 'Visit Malaysia Year'. We expect higher retail revenue share and rising hotel average room rate (DB expects 15-20% YoY) to contribute to stronger retail and hotel property performance. Combined, these two account for 44% and 38% of KLCCP's FY07E revenue and EBITDA, respectively. We estimate that every 10% rise in hotel ARR and retail rental increases FY07E net profit by 2.6% and 4%, respectively.

### Valuation & risks

At TP of RM2.90, we value KLCCP at 9% implied yield, pricing it at the lower end of the 9-10.7% historical range since listing or 22% discount to FD RNAV of RM3.71. The RNAV discount reflects the low possibility of it divesting or unlocking of assets values in the short term. Key risks include a sharp downturn in domestic economy, interest-rate hike and sustainability of current premium rental rate.

### Forecasts and ratios

Year End Mar 31	2005A	2006A	2007E	2008E	2009E
Sales (MYRm)	598.0	748.3	<b>811.9</b>	857.2	918.6
EBITDA(MYRm)	427.0	553.1	<b>607.7</b>	640.8	687.0
Reported NPAT(MYRm)	114.4	177.1	<b>197.6</b>	218.4	252.3
Reported EPS (MYR)	0.12	0.19	<b>0.21</b>	0.23	0.27
DB EPS FD (MYR)	0.09	0.14	<b>0.15</b>	0.17	0.20
DB EPS growth (%)	0.0	54.8	<b>11.6</b>	11.8	15.4
PER (x)	20.6	15.4	<b>15.6</b>	13.9	12.1
EV/EBITDA (x)	11.5	9.1	<b>9.6</b>	9.1	8.5
DPS (net) (MYR)	0.07	0.07	<b>0.08</b>	0.09	0.10
Yield (net) (%)	3.8	3.4	<b>3.4</b>	3.7	4.4

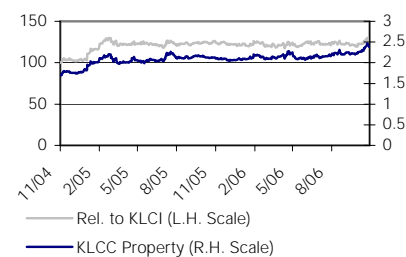
Source: Deutsche Bank estimates, company data

<sup>1</sup> DB EPS is fully diluted and excludes non-recurring items<sup>2</sup> Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

### Buy

Price at 13 Nov 2006 (MYR)	<b>2.38</b>
Price target - 12mth (MYR)	<b>2.90</b>
52-week range (MYR)	<b>2.47 - 2.05</b>
KLCC	<b>1,022</b>

### Price/price relative



Performance (%)	1m	3m	12m
Absolute	7.2	8.2	11.7
KLCC	3.9	8.5	13.8

### Stock data

Market cap (MYRm)	<b>2,223</b>
Market cap (USDm)	<b>611</b>
Shares outstanding (m)	<b>934.1</b>
Major shareholders	<b>KLCC Holdings (51%)</b>
Free float (%)	<b>49</b>

### Key indicators

ROE (%)	<b>7.0</b>
Net debt/equity (%)	<b>33.4</b>
Book value/share (MYR)	<b>3.49</b>
Price/book (x)	<b>0.7</b>
Net interest cover(x)	<b>3.5</b>
Operating profit margin (%)	<b>71.5</b>

Model updated: 16 October 2006

**Equity Research**  
**Asia**  
 Malaysia  
**Property**

**KLCC Property Holdings**  
 Reuters code KCCPKL  
**Buy**  
 Price as at 14-Nov RM2.39  
 Target Price RM2.90

Company Website  
<http://www.klcc.com.my>

**Company description**  
 KLCC Property Holdings Berhad is an investment holding company, the company through its subsidiaries operates in property investment, facility management, carpark operations management and hotels.

**Research Team**  
**Aun Ling Chia, CFA**  
 +60 3 2053 6768 [aun-ling.chia@db.com](mailto:aun-ling.chia@db.com)

Y/E 31 March	2005	2006	2007E	2008E	2009E
<b>SUMMARY</b>					
Reported EPS (RM)	0.12	0.19	0.21	0.23	0.27
P/E ratio (Reported) (x)	14.9	11.1	11.3	10.2	8.8
Reported EPS growth (%)	nm	54.8	11.6	10.5	15.5
DB EPS FD (RM)	0.09	0.14	0.15	0.17	0.20
P/E ratio (DB) (x)	20.6	15.4	15.7	14.0	12.1
Operating CFPS (RM)	0.25	0.37	0.37	0.40	0.46
Free CFPS (RM)	-0.41	0.35	0.14	0.22	0.22
P/CFPS (x)	7.4	5.7	6.4	5.9	5.2
DPS (RM)	0.07	0.07	0.08	0.09	0.10
Dividend yield (%)	3.8	3.4	3.4	3.7	4.3
BV/Share (RM)	2.43	2.55	3.49	3.65	3.82
Price/BV (x)	0.82	0.84	0.68	0.66	0.63
Weighted average shares (m)	934	934	934	934	934
Average market cap (RM m)	1,703	1,962	2,232	2,232	2,232
Enterprise Value (RM m)	4,913	5,017	5,854	5,850	5,871
EV/Sales	8.2	6.7	7.2	6.8	6.4
EV/EBITDA	11.5	9.1	9.6	9.1	8.5
EV/EBIT	11.9	9.3	10.1	9.5	8.9
EV/Operating Capital	9.8	11.1	9.3	7.6	6.2

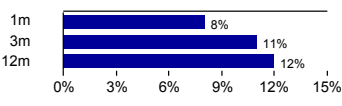
<b>INCOME STATEMENT (RM m)</b>					
Sales revenue	598	748	812	857	919
Operating EBITDA	427	553	608	641	687
Depreciation	15	14	27	28	30
Amortisation	0	0	0	0	0
Operating EBIT	412	539	581	613	657
Net interest income (expense)	-153	-174	-165	-155	-141
Associates/affiliates	9	11	8	9	10
Investment and other income/expense	0	0	0	0	0
Exceptionals/extraordinary	0	0	0	0	0
Income tax expense	79	89	112	119	134
Minorities/preference dividends	74	110	114	130	139
Net income	114	177	198	218	252

<b>CASH FLOW (RM m)</b>					
Cash flow from operations	229	346	347	376	426
Movement in net working capital	5	22	9	7	10
Capex	-608	-22	-214	-170	-220
Free cash flow	-379	324	133	206	206
Other investing activities	659	-17	-645	2	2
Equity raised/(bought back)	744	0	751	0	0
Dividends paid	-30	-67	-68	-76	-90
Net inc/(dec) in borrowings	-812	-208	-124	-3	-257
Other financing cash flows	2	0	0	0	0
Total cash flows from financing	-96	-275	559	-79	-346
Net cash flow	183	32	47	129	-138
Movement in net debt/(cash)	-995	-239	-171	-132	-118

<b>BALANCE SHEET (RM m)</b>					
Cash and other liquid assets	561	593	640	769	631
Tangible fixed assets	642	650	837	980	1,170
Goodwill	0	0	0	0	0
Other intangible assets	0	0	0	0	0
Associates/investments	4,982	4,989	6,260	6,260	6,260
Other assets	209	190	225	228	249
Total assets	6,395	6,422	7,963	8,236	8,309
Interest bearing debt	2,695	2,487	2,363	2,360	2,104
Other liabilities	350	390	436	440	468
Total liabilities	3,045	2,878	2,799	2,801	2,572
Shareholders' equity	2,274	2,384	3,265	3,407	3,569
Minorities	1,076	1,160	1,899	2,028	2,167
Total shareholders' equity	3,350	3,544	5,163	5,435	5,737
Net working capital	-96	-145	-162	-171	-186
Net debt/(cash)	2,134	1,895	1,723	1,591	1,473
Capital	5,484	5,439	6,887	7,027	7,210

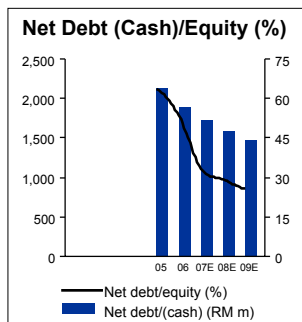
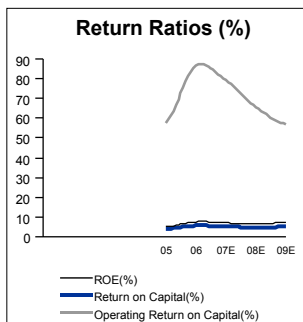
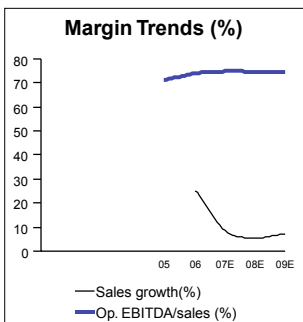
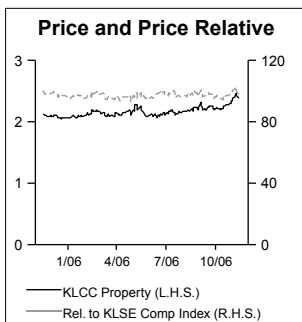
<b>RATIO ANALYSIS</b>					
Sales growth (%)	nm	25.1	8.5	5.6	7.2
Op. EBITDA/sales (%)	71.4	73.9	74.8	74.8	74.8
Op. EBIT/sales (%)	68.9	72.0	71.5	71.5	71.5
Payout ratio (%)	55.8	38.0	38.0	38.0	38.4
ROE (%)	5.0	7.6	7.0	6.5	7.2
Return on Capital (%)	4.1	5.7	5.2	4.8	5.0
Operating Return on Capital (%)	57.9	86.4	79.3	65.5	57.0
Capex/sales (%)	101.7	3.0	26.4	19.8	23.9
Capex/depreciation (x)	41.3	1.6	7.9	6.1	7.4
Net debt/equity (%)	63.7	53.5	33.4	29.3	25.7
Net interest cover (x)	2.7	3.1	3.5	4.0	4.7

**Absolute Price Return(%)**



52-week Range: RM2.05 - RM2.47  
 Market Cap (m): RM 2,232  
 US\$ 614

**Company identifiers**  
 Bloomberg KLCC MK  
 Cusip NA  
 SEDOL B02FW17



Source: Deutsche Bank AG estimates, company data

# Appendix 1

## Important Disclosures

Additional information available upon request

### Disclosure checklist

Company	Ticker	Recent price*	Disclosure
Transmile Group BHD	TMGB.KL	12.60 (MYR) 15 Nov 06	6
IJM Corp	IJMS.KL	6.65 (MYR) 15 Nov 06	6
IGB Corporation Berhad	IGBS.KL	1.69 (MYR) 15 Nov 06	NA
Media Prima Bhd	MPRM.KL	2.22 (MYR) 15 Nov 06	6
KLCC Property	KCCP.KL	2.38 (MYR) 15 Nov 06	6

\*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

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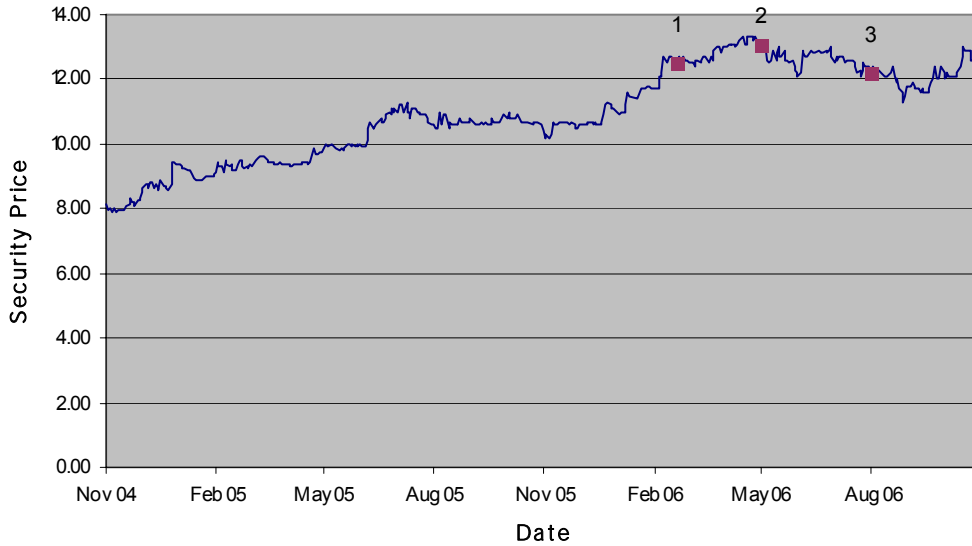
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**Historical recommendations and target price: Transmile Group BHD (TMGB.KL)**

(as of 15/11/2006)



Previous Recommendations

- Strong Buy
- Buy
- Market Perform
- Underperform
- Not Rated
- Suspended Rating

Current Recommendations

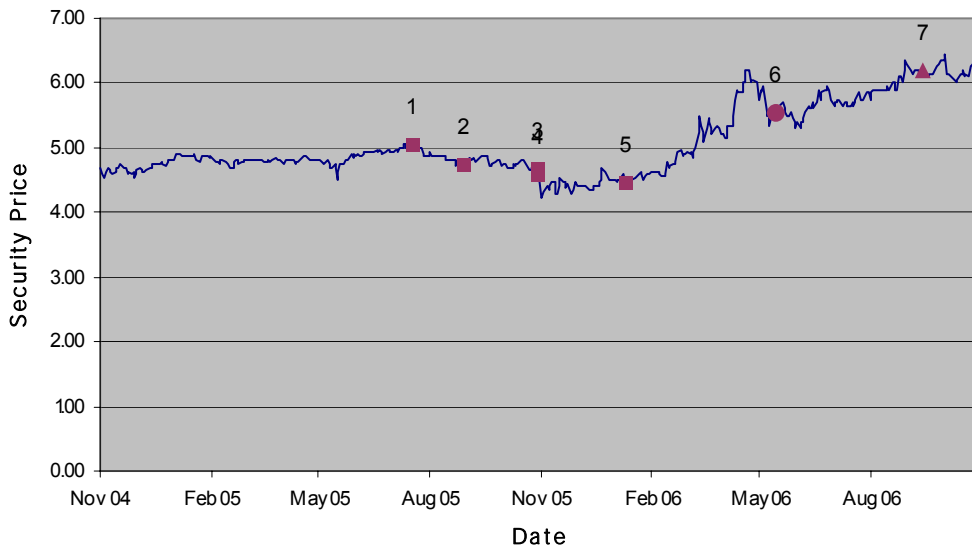
- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

\*New Recommendation Structure as of September 9, 2002

- |   |   |
|---|---|
| 1. 8/3/2006: Buy, Target Price Change MYR14.30  | 3. 16/8/2006: Buy, Target Price Change MYR14.70 |
| 2. 17/5/2006: Buy, Target Price Change MYR15.70 |   |

**Historical recommendations and target price: IJM Corp (IJMS.KL)**

(as of 15/11/2006)



Previous Recommendations

- Strong Buy
- Buy
- Market Perform
- Underperform
- Not Rated
- Suspended Rating

Current Recommendations

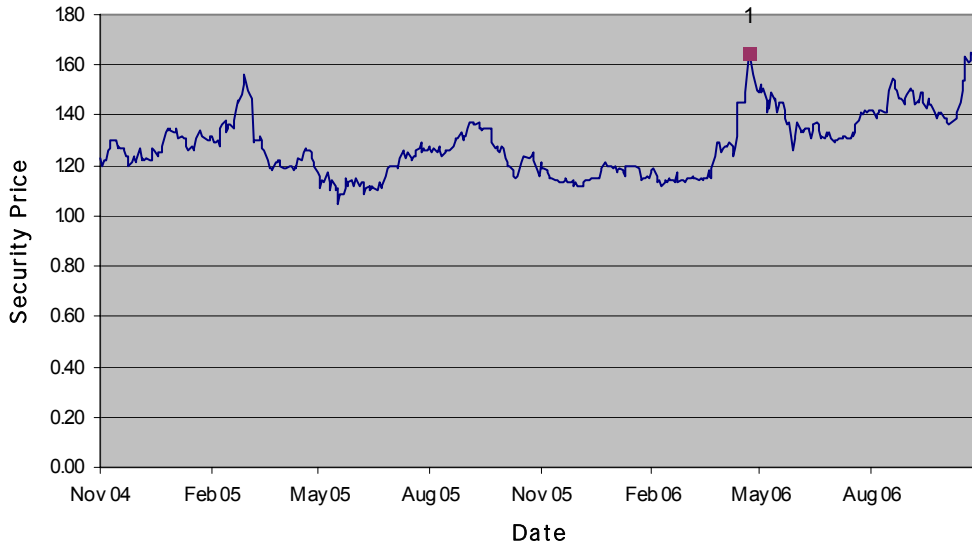
- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

\*New Recommendation Structure as of September 9, 2002

- |   |  |
|---|--|
| 4. 2/8/2005: Buy, Target Price Change MYR5.90   | 8. 26/1/2006: Buy, Target Price Change MYR5.40               |
| 5. 13/9/2005: Buy, Target Price Change MYR5.60  | 9. 30/5/2006: Downgrade to Hold, Target Price Change MYR5.90 |
| 6. 13/11/2005: Buy, Target Price Change MYR5.50 | 10. 28/9/2006: Upgrade to Buy, Target Price Change MYR7.65   |
| 7. 14/11/2005: Buy, Target Price Change MYR5.50 |  |

**Historical recommendations and target price: IGB Corporation Berhad (IGBS.KL)**

(as of 15/11/2006)



Previous Recommendations

- Strong Buy
- Buy
- Market Perform
- Underperform
- Not Rated
- Suspended Rating

Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

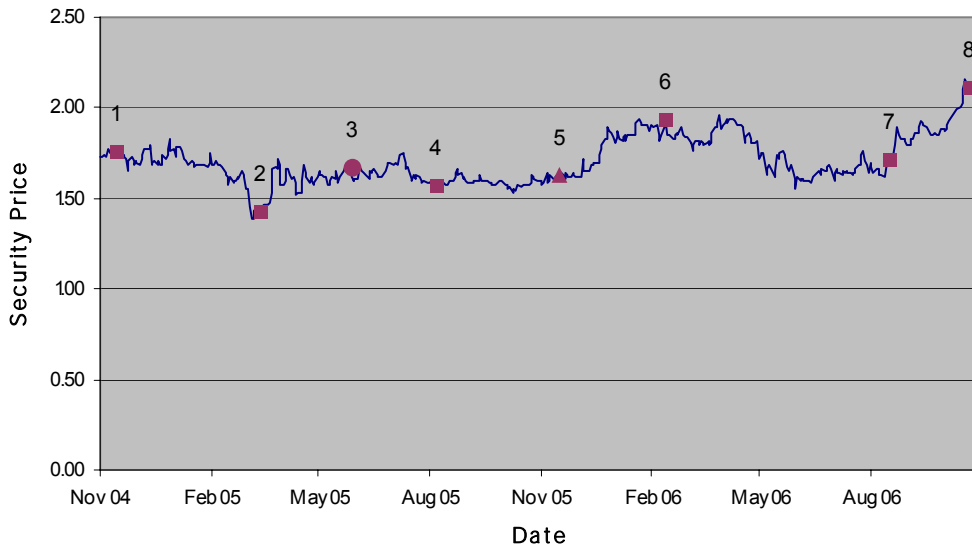
\*New Recommendation Structure as of September 9, 2002

11. 8/5/2006: Buy, Target Price Change MYR2.08

12.

**Historical recommendations and target price: Media Prima Bhd (MPRM.KL)**

(as of 15/11/2006)



Previous Recommendations

- Strong Buy
- Buy
- Market Perform
- Underperform
- Not Rated
- Suspended Rating

Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

\*New Recommendation Structure as of September 9, 2002

1. 29/11/2004: Buy, Target Price Change MYR2.30

2. 29/3/2005: Buy, Target Price Change MYR2.20

3. 12/6/2005: Downgrade to Hold, Target Price Change MYR1.50

4. 21/8/2005: Hold, Target Price Change MYR1.45

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7. 31/8/2006: Buy, Target Price Change MYR2.30

8. 6/11/2006: Buy, Target Price Change MYR2.60

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Equity rating dispersion and banking relationships

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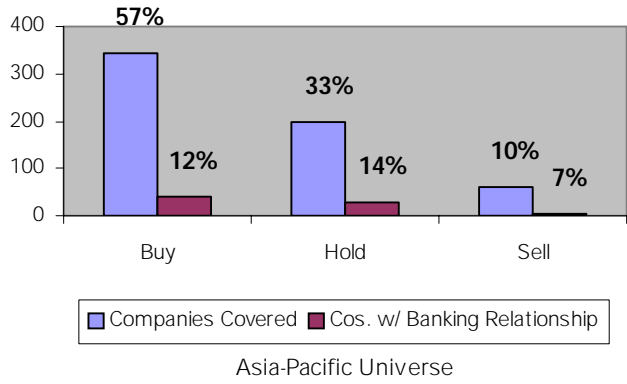
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