13 Mar 2019

TRC Synergy

Sarawak play with yield upside

Buy

Price
RM0.57

Target Price
RM0.75

Market Data

Bloomberg Code	TRC MK
No. of shares (m)	480.5
Market cap (RMm)	273.9
52-week high/low (RM)	0.73 / 0.41
Avg daily turnover (RMm)	2.3
KLCI (pts)	1,671.3

Source: Bloomberg, KAF

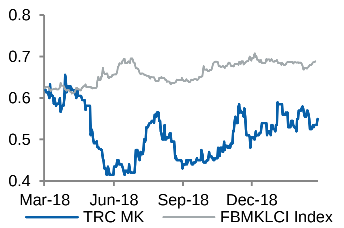
Major Shareholder (%)

TRC Capital	(12.4%)
Kolektif Aman	(12.2%)
Dato' Leong Kam Heng	(10.0%)
Free Float	41.6

Source: Bloomberg, KAF

Performance

	3M	6M	12M
Absolute (%)	18.8	28.1	(15.6)
Rel Market (%)	18.2	36.8	(6.0)



Source: Bloomberg, KAF

We upgrade TRC Synergy from a Hold to a Buy at a higher TP of RM0.75 (from RM0.60), off an unchanged 40% discount to NAV. Having established a strong foothold for the past two decades, TRC is a potential play on Sarawak's infrastructure flows, which will likely be expedited over the next two years ahead of the state's elections. This is on top of its RM2.7b orderbook, which provides clear visibility over the next four and a half years. Based on existing projects on hand, we project TRC's core earnings to rise from RM32m in FY19F (FY18: RM29m) to RM39m-RM46m in FY20F-FY21F (EPS CAGR: 17%). This translates into attractive forward PE's of 6x-8x vs its four-year historical trough of 7x. Besides, the stock is also trading at a steep 37% discount to its FY19F book value of RM0.90. At current levels, TRC offers attractive yields of 6%-9% on a conservative payout ratio of 25%-26% (minimum payout: 25%). Along with its strong balance sheet, we envisage ample room for capital management upside coming from the potential crystallization of claims for certain completed projects.

Financial Highlights

FYE Dec	2017	2018	2019F	2020F	2021F
Revenue (RMm)	728.2	747.0	834.9	956.3	1,020.6
Core net profit (RMm)	38.8	28.9	32.5	38.5	46.2
Core EPS (Sen)	8.1	6.0	6.8	8.0	9.6
EPS growth (%)	89.6	(25.6)	12.4	18.7	19.9
DPS (Sen)	2.8	3.0	3.5	4.0	5.0
Core PE (x)	7.5	9.0	8.4	7.1	5.9
Div yield (%)	4.7	5.6	6.1	7.0	8.8
ROE (%)	7.7	5.1	7.7	8.6	9.6
Net Gearing (%)	Net Cash	3.6	13.5	4.9	Net Cash
PBV(x)	0.7	0.6	0.6	0.6	0.5

Source: Company, KAF

Sweet finish to 2018

Despite a challenging construction market, TRC managed to close 2018 on a high by bagging ~RM700m worth of new jobs. It secured its newest contract, a building mandate worth nearly RM500m in Precinct 8, Putrajaya, in late December. The project was awarded by Putrajaya Holdings, and is scheduled to run for 57 months. More importantly, it is one of the first few major public infrastructure awards under the Pakatan Harapan administration, and underscores TRC's ability to compete under an open tender environment.

Comfortable orderbook cover of 4.2x

Our working assumptions have already factored in a 10% reduction in TRC's outstanding orderbook. This is to account for lower work scopes for MRT 2 and LRT 3, which is being renegotiated. At a revised value of RM2.7b, TRC still enjoys a comfortable orderbook cover of 4.2x that provides clear earnings visibility over the next four and a half years.

Proxy to Sarawak infrastructure upcycle

We estimate that roughly two-thirds of TRC's active tenderbook of RM3b comes from Sarawak. This is largely made up of selective bids under Phase 1 of the Sarawak Coastal Roads and Second Trunk Road projects, which will have eleven packages (average contract value: ~RM500m). Following the award of a RM1.3b package of Pan Borneo Sarawak to the TRC-Pembinaan Kuantiti-Endaya Construction JV back in August 2016, we tip TRC to be a strong contender for these upcoming road projects. We understand that TRC has submitted two bids, and is lining up another three more by the end of this month. The other job opportunities may involve hospitals across three areas in Sarawak, with each of them possibly costing a few hundred million ringgit.

Analyst

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Ara Damansara TOD set for debut in 3H19

After several delays, TRC is on track to launch the first phase of its RM1.1b GDV Ara Damansara Transit-Oriented Development (TOD) by the third quarter of this year. Phase 1 offers 648 units of serviced apartments. The indicative pricing for the units that are available to the public is ~RM620-RM680psf (built-up: 700sf-1,100sf). We expect the project to do well, given its attractive price point and direct access to the Ara Damansara LRT station. Moreover, we draw comfort that TRC can immediately book-in a quarter of the progress billings upon signing of the SPA, as it had already completed the project's foundation as the contractor during the construction of the Ara Damansara LRT station *(Exhibit 1).*

Greater contributions down under

We project TRC's share of associate profits from its Australian property and building operations (parked under 33%-owned Pretty Sally Holdings Pty Ltd) to increase to RM3.6m in FY19F (FY18: RM2.1m), rising further to RM4.2m-RM4.7m in FY20F-21F. This is anchored by:

(i) Locked-in sales of A$35m for the Springridge development in Melbourne;

(ii) Sales of new land plots for its other landbank in Melbourne (Melton) from 2H19 onwards; and

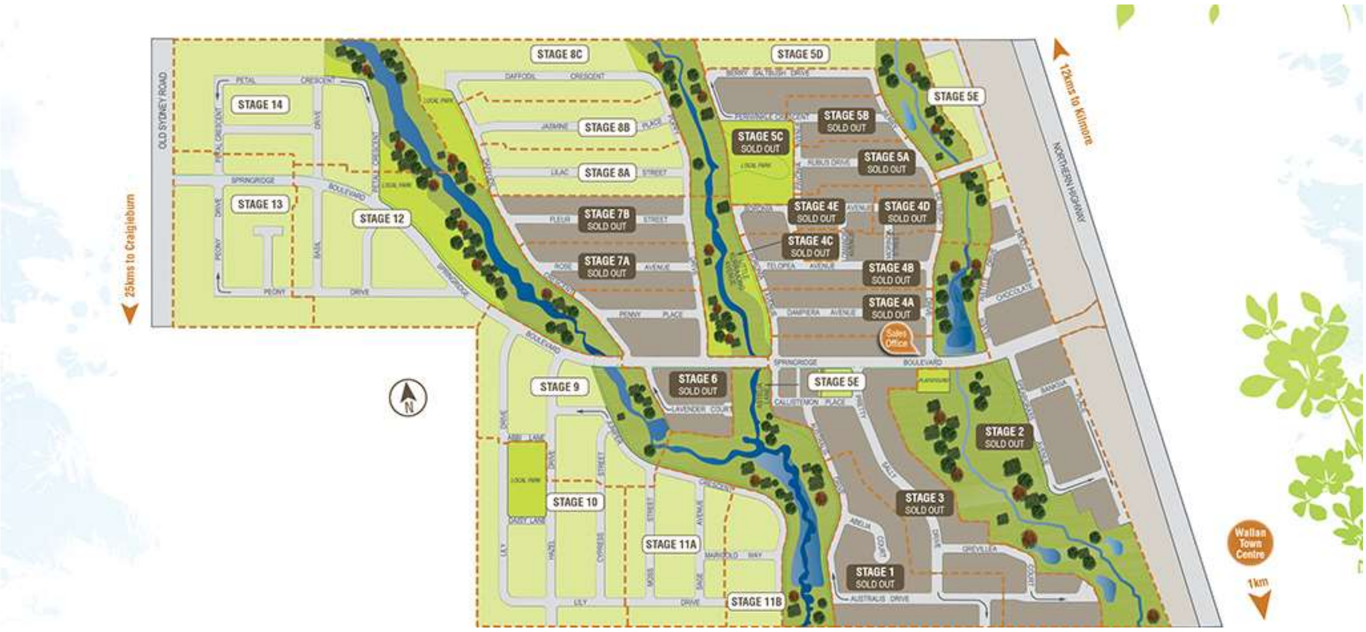
(iii) Sustained contributions from Hermitage Homes, its building arm that is based in Victoria.

Over in Richmond, its 100%-owned Element Richmond Hotel is poised to open its doors on 5 June 2019, nearly a month ahead of schedule. We value the hotel at RM122m (or A$250k per room), or ~20% of its NAV *(Exhibit 2-4).*

Exhibit 1: Kelana Jaya Extension - facilities works (Package A)

Source: Company, KAF

Exhibit 2: Springridge masterplan



Source: Company, KAF

Exhibit 3: Hermitage Homes – sample of home designs & fixtures/finishes

Source: Company, KAF

Exhibit 4: Element by Westin, Richmond, Melbourne

Source: Marriott International Inc, KAF

Fresh Sarawak push

Sweet finish to 2018

Despite a challenging construction market, TRC managed to close 2018 on a high by bagging ~RM700m worth of new jobs. It secured its newest contract, a building job worth nearly RM500m in Precinct 8, Putrajaya, in late December. The scope of works comprises residential towers, podium block, retail space, serviced apartments, common facilities, high street, facilities block for serviced apartments, facility floor, show gallery, event hall, promenade, basement as well as elevated parking and other ancillary works.

The project was received from Putrajaya Holdings, and is scheduled to run for 57 months. Most importantly, it is one of the first few major public infrastructure awards under the Pakatan Harapan administration, and underscores TRC's ability to compete under an open tender environment.

Healthy orderbook cover of 4.2x

The latest building contract in Putrajaya has lifted TRC's outstanding orderbook to RM3b. However, we have assumed a 10% reduction from its backlog of jobs. This is to account for lower work scopes for MRT 2 and LRT 3, which is being renegotiated. We estimate that over half of these adjustments will come from the LRT 3 Depot at Johan Setia, following a downsizing of the railway project's requirements. Even on a revised value of RM2.7b, TRC has a comfortable orderbook buffer of ~4.2x that provides clear earnings visibility over the next four and a half years.

Solid bet for Sarawak infra upcycle

TRC has an active tenderbook of over RM3b. We estimate that roughly two-thirds of these bids will come from Sarawak, with government-linked building and infrastructure-related jobs making up the balance.

In Sarawak, we opine that the resources-rich state will accelerate development spending over the next two years ahead of the state elections, which must be held by May 2021. To be sure, the Sarawak government's budget of RM12b for 2019 is the largest-ever tabled by the state. Out of this total, a sum of RM9b has been set aside for development expenditure.

This is on top of comfortable state reserves of over RM31b, projected revenues of ~RM3.9b from the imposition of a 5% sales tax on petroleum products in the state (effective from 1 January 2019) and a federal allocation of RM4.3b for this year.

In our view, a bulk of the spending will center on basic infrastructure projects, especially in the rural areas. The identified projects include the RM10b Sarawak Coastal Roads, Second Trunk Road (RM4b-RM6b) and the RM8b Sarawak Water Grid (SWG).

From our channel checks, the Sarawak government has rolled out several packages under the first phase of these mega projects. In late February, KKB Engineering (KKB MK, RM1.18, NC) announced that it received two letters of awards totaling RM110m under Package SR1 (Southern Region) of SWG. As such, we anticipate more tender activities for SWG in the weeks ahead.

At the same time, the first 11 packages of the two major road projects highlighted above are ready for tenders, and the maiden awards could materialize within the next one-to-two months. Per our estimates, the average value of each package, which entails both road as well as bridge works, could be worth ~RM500m *(Exhibit 5).*

Exhibit 5: Major Sarawak road projects – ongoing and planned

Source: The Borneo Post, KAF

For TRC specifically, the group has put in bids for two bridges, and will submit another three more by the end of this month. We estimate the value of the first two bids to be over RM1b. In addition, it is also eyeing opportunities from several hospital projects across different regions in Sarawak, for which each of them will cost a few hundred million ringgit.

Last July, Borneo Post reported that Zecon (ZEC MK, RM0.25, NC) was issued with a notice of termination from the Public Works Department for the construction of the 300-bed Petra

Jaya Hospital in Kuching. The daily quoted Health Minister Dr Dzulkefly Ahmad as saying that the decision was made due to prolonged delays; the RM495m project was only ~35% completed as of June last year after construction works kicked-off on 23 May 2013.

Another report by Borneo Post in early January indicated that tenders for the construction of new buildings at the Miri and Lawas Hospitals could take place by end-1Q19. At that time, the report said that the Miri Hospital project was already at the prequalification stage, while the Lawas Hospital project was in the midst of undergoing a prequalification exercise. Both projects, located in the northern region of Sarawak, were designed to alleviate patient congestion as well as to upgrade the facilities in the hospitals.

Here, we believe that TRC could be at the forefront of increased infrastructure spending in Sarawak. Not least, TRC is among the few West Malaysian contractors which possesses a Unit Pendaftaran Kontraktor (UPK) license, which allows the group to participate directly in all state-initiated projects in Sarawak.

Furthermore, TRC has already established a strong foothold in Sarawak over the last two decades; it has successfully completed more than 20 projects worth over RM1b, and has a staff strength of ~400 in the Bornean state. In terms of ongoing projects, it is presently working on a package of the Pan Borneo Sarawak via a JV with two local outfits, i.e. Pembinaan Kuantiti and Endaya Construction. The JV was awarded a stretch of Pan Borneo Sarawak, linking Batang Skrang and Sg. Awek Bridge, back in August 2016.

Over in neighbouring Sabah, TRC has been pre-qualified for the Pan Borneo Sabah project, although the exact timing of the tenders is not known at this juncture.

Stacking it up, we are keeping our new contract assumptions at RM600m-RM800m for FY19F vs management’s base target of RM700m.

Ara Damansara development coming up in 3H19

After several delays, TRC is preparing to launch its Ara Damansara TOD by the third quarter of this year. Apart from market conditions, the delays were due to the need to obtain the building plan for the hotel component following some changes to it.

A key attraction of this up and coming development is its strategic location within the mature Ara Damansara township, plus the convenience of having the Ara Damansara LRT station on its doorstep.

Under its revised master plan, the Ara Damansara TOD will be developed over four phases at an indicative GDV of RM1.1b:

- Phase 1 (residential serviced apartments)
- Phase 2 (f&b retail strata units with serviced apartments)
- Phase 3 (An office tower); and
- Phase 4 (A hotel).

Ahead of its official launch, TRC has initiated the registration of interest for the two blocks of residential towers (25 storeys each) that will be unveiled under Phase 1. With an indicative GDV of close to RM300m, Phase 1 offers a total of 648 units. 180 units will be allocated under the affordable segment (priced between RM450psf-RM550psf), while the remaining 468 units (built-up: 700sf-1,100sf; priced from RM620psf-RM680psf) will be opened up to the public under the open category. The latter comes with semi-furnished offerings.

The first five floors will consist of elevated car parks; followed by a common facility floor (Level 6); affordable units (Levels 7-12); and the open category units (Levels 13-25). Most of the units will be offered at attractive ASP’s of less than RM500k.

We gather that TRC can immediately book-in a quarter of the progress billings upon signing of the SPA, as it had already completed the foundation/car parks as the contractor during the construction of the Ara Damansara LRT station. To date, the group has sunk almost RM80m into the project.

Expanding its presence down under

After a slow start, TRC's 329-acre Springridge project in Wallan is gaining traction. TRC owns a 33% stake in Pretty Sally, which owns the development rights in Springridge, about a 45 minutes' drive from the Melbourne CBD.

Due to the rising cost of homes within the city center, Springridge has enjoyed brisk sales over the past one-to-two years as it is able to offer bungalow lots at attractive price points. Springridge is also benefiting from Wallan's transition from a country town to a Melbourne suburb within the state of Victoria.

Springridge offers a total of 990 lots that are going for ~A$250k each, with land sizes of ~4k m². As of 31 December 2018, Springridge has sold 388 lots (~39%), and will book-in another 171 lots (17%) pending the settlement process. This gives rise to locked-in sales of around A$35m that will be progressively recognized across this financial year.

TRC is also looking to expand the number of lot sizes at Springridge to 1,100 by carving it into smaller parcels (not more than 4k m²), which are more sellable. As a result, we have penciled-in a higher amount of net available lots for sale to 541 over five years, with an average selling price of A$220k-A$230k per lot.

Further out, TRC will open up its Melton landbank (~27 acres) for sale by the second half of next year. Melton represents TRC's second property development project in Melbourne. As with Springridge, The Melton development will be developed through Pretty Sally, and features 195 lots at an indicative selling price of ~A$250k per lot (size: ~4k m²). TRC aims to complete the settlement process in 2020-2021.

Although the housing market in Victoria has been impacted by the government's property cooling measures (e.g. higher stamp duties and lending curbs to foreigners), we believe that TRC's Springridge and Melton developments are better-prepared to weather any cyclical dips.

First of all, these two projects offer bungalow land (either with or without construction packages) that are still within the affordable range of below A$500k per lot. Compared to the condominium segment, they also have relatively lower settlement risk as a majority of the buyers are local Australians.

At the same time, TRC's 100%-owned Element Richmond Hotel (also in Melbourne), will open its doors by 5 June 2019, almost a month ahead of schedule. TRC had previously signed a 12-year operating service agreement with Starwood Australia Hotel Pty Ltd, an affiliate of Marriott International Inc, under the brand name Element by Westin.

The total development cost for Element Richmond is about A$42m (excluding land cost). According to CBRE Australia, the completed market value of the hotel is estimated at A$65m. This compares with our conservative valuation of A$42m (or RM122m), which is pegged at A$250k per room. We also note that the average occupancy rates for hotels in Melbourne was approximately 80% in 2016 and 2017.

Last but not least, TRC holds a 33% stake in Hermitage Homes, also through Pretty Sally. Hermitage Homes is the only Asian-owned builder within the state of Victoria. The Australian builder handles about 250 homes a year, offering various construction packages to its clients. Some 80% of its orderbook are derived from external clients.

No loss after ending PPA1M project

Earlier this month, TRC disclosed that its wholly-owned TRC Land has received a three-month notice of termination from Perbadanan Putrajaya (PJC). Prior to this, TRC had on 4 December 2015 been appointed as a developer under the 1Malaysia Civil Service Housing Development (PPA1M) by PJC.

The development is located at Precinct 18 in Putrajaya, and has a gross development cost (GDC) of RM293m. It had both the affordable PPA1M houses as well as related commercial components.

Pursuant to the appointment, TRC and PJC entered into a development agreement on 24 July 2017. The subsequent termination was made by PJC under Clause 26 of the development agreement.

It comes on the heels of Damansara Realty's (DR MK, RM0.53, NC) announcement last Wednesday that its development agreement with PJC has been terminated. Just a few days later, OCR (ONC MK, RM0.24, NC) made a similar announcement on the termination of its RM324m PPA1M project in Precinct 5, Putrajaya.

Thus far, work on TRC's PPA1M project has been minimal. More importantly, we do not think that the termination to have a material impact on TRC. The termination, to us, is consistent with the government's move to unify all affordable housing programs under one roof.

The federal government recently formed a National Affordable Housing Council, grouping five public housing agencies together. PPA1M, which oversees affordable housing for civil servants, is part of this.

In a related press release, TRC disclosed that, under the agreement, the group is able to claim expenses that were incurred for development works. Moreover, the PPA1M project is not part of our existing work assumptions for TRC. Nor have we factored-in the potential claims arising from this.

From a strategic standpoint, this enables TRC to re-mobilize its resources towards other NAV-accretive ventures.

Valuation and recommendation

Growth years ahead

We have raised our core net profit forecast for FY19F-21F by 2%-19% to RM32m, RM39, and RM46m respectively – with projected EPS CAGR of 17%. This is largely predicated upon:

(i) Higher profit recognition from Springridge, with ~A$35m of locked-in sales that will be recognized progressively upon settlement;

(ii) Maiden contributions from the Ara Damansara TOD and Melton projects in 3Q19 and 2H20, respectively;

(iii) Grand opening of Element Richmond in June (FY19F EBITDA estimated at RM3m on an average room rate of A$130/night, occupancy rate of 65% and 168 rooms);

(iv) An uptick in construction margin assumptions at 5.1%-5.7% respectively vs 4.4%-4.9% previously; and

(v) Removal of the PPA1M project from our working model.

With earnings momentum on the ascendancy, TRC is trading at attractive forward PE's of 6x-8x vs its four-year historical trough of 7x. Following this, we have also revised upwards our TP for TRC to RM0.75 (from RM0.60) on an unchanged 40% discount to NAV. It is also trading at a steep 37% discount to its FY19F book value of RM0.90.

We see more scope for valuation upside to come from (i) claims for certain completed projects; and (ii) compensation from the cancelled PPAIM project *(Exhibit 6).*

Capital management upside

Despite forking out an estimated A$42m to develop Element Richmond, we still expect TRC's net gearing ratio to be manageable at 13% this year, before improving to 5% in FY19F and revert to a net cash position of RM22m in FY20F. We envisage its net gearing to peak this year before coming off over the next two FY's, as the group starts to recoup cash flows from Element Richmond.

Apart from a step-up in its major ongoing construction works, TRC's cash flow will also be strengthened by progress billings from the Ara Damansara TOD. Barring any sizeable landbanking opportunities in Australia, we do not foresee TRC to spend significantly on capex over the next few years.

Even on our conservative payout assumptions of 25%-26% (minimum payout policy: 25%), we project DPS to be 3.5-sen over the next three FY's, yielding attractive dividends of 6%-9%. Armed with a strong balance sheet and potential claims from certain completed projects, we do not preclude the possibility of more capital management upside in the months ahead *(Exhibit 6).*

Exhibit 6: NAV model

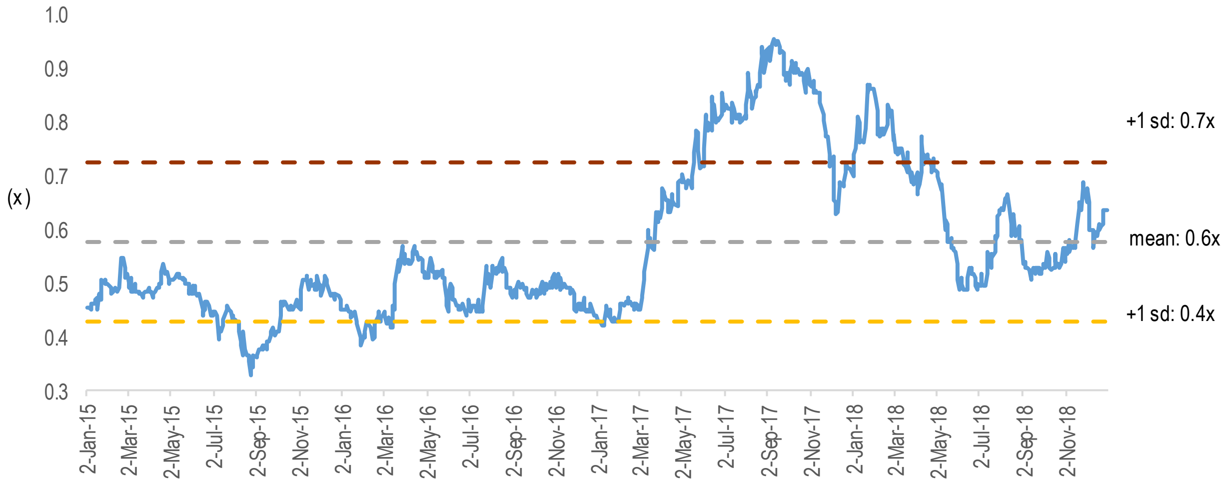
Division	Value (RM) m	per share	Method	Effective stake (%)	% of NAV
Construction	348.8	0.73	8x FY19F net profit	various	58.0
Property					
Development projects					
Impian Senibong Phase 2, Permas Jaya, Johor	4.2	0.01	NPV @ 9%	100.0	
Ara Damansara TOD project, Selangor	77.7	0.16	NPV @ 9%	80.0	
Springridge Development, Wallan, Melbourne	29.1	0.06	NPV @ 11%	33.3	
Melton, Melbourne	5.2	0.01	NPV @ 11%	33.3	
Bandar Seri Alam, Masai (27 acres)	8.9	0.02	MV at RM10 psf	100.0	
Sub-total	125.2	0.26			20.8
Property Investment					
Element Melbourne Richmond Hotel (168 rooms)	121.8	0.25	MV at A$250k per room	100.0	20.3
Others	20.2	0.04	FY17 net book value		3.4
Gross NAV	**616.1**	**1.28**			**102.5**
Net debt	(14.9)	(0.03)	As at 31 Dec 2018		(2.5)
Total NAV	**601.2**	**1.25**			**100.0**
FD no of shares (m)	480.9				
NAV/share	**1.25**				
TP (less 40% discount to NAV)	**0.75**				
Upside (%)	**39.4**				
Discount to NAV (%)	**(54.4)**				
Implied PE	**11.1**				

Source: Company, KAF

Exhibit 7: PE band

Source: Bloomberg, KAF

Exhibit 8: P/BV band



Source: Bloomberg, KAF

Income Statement

FYE Dec (RMm)	2017	2018	2019F	2020F	2021F
Revenue	**728.2**	**747.0**	**834.9**	**956.3**	**1,020.6**
EBITDA	**60.4**	**49.8**	**62.7**	**67.8**	**76.9**
Depreciation/Amortisation	(11.2)	(11.7)	(16.0)	(15.5)	(16.4)
Operating income (EBIT)	49.2	38.0	46.7	52.3	60.5
Other income & associates	4.7	2.1	3.6	4.2	4.7
Net interest	1.6	0.2	(6.8)	(5.3)	(3.6)
Exceptional items	(8.6)	(8.0)	0.0	0.0	0.0
Pretax profit	**46.9**	**32.3**	**43.5**	**51.2**	**61.6**
Taxation	(17.1)	(11.2)	(8.7)	(9.9)	(12.0)
Minorities/pref dividends	0.5	(0.3)	(2.3)	(2.7)	(3.4)
Net profit	**30.3**	**20.8**	**32.5**	**38.5**	**46.2**
Core net profit	**38.8**	**28.9**	**32.5**	**38.5**	**46.2**

Balance Sheet

FYE Dec (RMm)	2017	2018	2019F	2020F	2021F
Fixed assets	82.6	174.2	49.8	55.2	59.6
Intangible assets	0.0	0.0	0.0	0.0	0.0
Other long-term assets	82.9	84.4	274.3	272.6	271.5
Total non-current assets	**165.4**	**258.6**	**324.1**	**327.8**	**331.1**
Cash & equivalent	193.8	231.8	216.1	215.8	220.1
Stock	19.4	17.3	20.1	23.1	24.6
Trade debtors	343.4	402.1	388.9	432.3	447.4
Other current assets	68.3	94.4	130.0	130.0	130.0
Total current assets	**624.8**	**745.6**	**755.1**	**801.2**	**822.0**
Trade creditors	300.4	332.4	351.7	404.7	429.9
Short-term borrowings	69.8	239.3	244.3	225.1	194.8
Other current liabilities	6.2	9.8	9.8	9.8	9.8
Total current liabilities	**376.4**	**581.5**	**605.8**	**639.5**	**634.5**
Long-term borrowings	6.2	7.4	30.4	13.6	2.9
Other long-term liabilities	6.2	6.6	9.0	11.7	15.1
Total long-term liabilities	**12.4**	**14.0**	**39.3**	**25.3**	**18.0**
Shareholders' funds	**401.5**	**408.8**	**434.0**	**464.1**	**500.7**
Minority interests	4.5	5.2	7.5	10.2	13.6

Cash flow Statement

FYE Dec (RMm)	2017	2018	2019F	2020F	2021F
Pretax profit	46.9	32.3	43.5	51.2	61.6
Depreciation/Amortisation	11.2	11.7	16.0	15.5	16.4
Net change in working capital	31.0	(50.8)	(5.8)	6.5	8.6
Others	(49.2)	(9.2)	(12.3)	(14.1)	(16.7)
Cash flow from operations	**39.9**	**(15.9)**	**41.4**	**59.1**	**69.9**
Capital expenditure	(5.8)	(107.4)	(199.7)	(15.0)	(15.0)
Net investments & sale of fixed assets	38.4	3.4	0.0	0.0	0.0
Others	0.0	0.4	121.8	0.0	0.0
Cash flow from investing	**32.6**	**(103.6)**	**(77.9)**	**(15.0)**	**(15.0)**
Debt raised/(repaid)	(73.7)	170.7	28.0	(36.0)	(41.0)
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Dividends paid	(9.1)	(13.5)	(7.2)	(8.4)	(9.6)
Others	(13.9)	(57.5)	0.0	0.0	0.0
Cash flow from financing	**(96.7)**	**99.8**	**20.8**	**(44.4)**	**(50.6)**
Net cash flow	**(24.1)**	**(19.8)**	**(15.7)**	**(0.4)**	**4.3**
Net cash/(debt) b/f	**79.9**	**55.8**	**36.0**	**20.3**	**19.9**
Net cash/(debt) c/f	**55.8**	**36.0**	**20.3**	**19.9**	**24.2**

Key Ratios

FYE Dec	2017	2018	2019F	2020F	2021F
Revenue growth (%)	(3.4)	2.6	11.8	14.5	6.7
EBITDA growth (%)	60.5	(17.5)	25.9	8.2	13.3
Pretax margins (%)	6.4	4.3	5.2	5.4	6.0
Net profit margins (%)	4.2	2.8	3.9	4.0	4.5
Interest cover (x)	nm	nm	6.9	9.8	16.8
Effective tax rate (%)	36.5	34.5	20.0	19.4	19.4
Net dividend payout (%)	44.5	3,461.0	2,591.2	2,495.9	2,602.3
Debtors turnover (days)	172	196	170	165	160
Stock turnover (days)	11	9	10	10	10
Creditors turnover (days)	172	182	175	175	175

Source: Bloomberg, KAF

Disclosure Appendix

Recommendation structure

Absolute performance, long term (fundamental) recommendation: The recommendation is based on implied upside/downside for the stock from the target price and only reflects capital appreciation. A Buy/Sell implies upside/downside of 10% or more and a Hold less than 10%.

Performance parameters and horizon: Given the volatility of share prices and our pre-disposition not to change recommendations frequently, these performance parameters should be interpreted flexibly. Performance in this context only reflects capital appreciation and the horizon is 12 months.

Market or sector view: This view is the responsibility of the strategy team and a relative call on the performance of the market/sector relative to the region. Overweight/Underweight implies upside/downside of 10% or more and Neutral implies less than 10% upside/downside.

Target price: The target price is the level the stock should currently trade at if the market were to accept the analyst's view of the stock and if the necessary catalysts were in place to effect this change in perception within the performance horizon. In this way, therefore, the target price abstracts from the need to take a view on the market or sector. If it is felt that the catalysts are not fully in place to effect a re-rating of the stock to its warranted value, the target price will differ from 'fair' value.

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