



Regional Express

REX AU / REX.AX

COMPANY NOTE

Market Cap
US\$114.9m
A\$125.0m

Avg Daily Turnover
US\$0.02m
A\$0.02m

Free Float
40.0%
110.2 m shares

Current **A\$1.14**
Target **A\$1.18**
Prev. Target **A\$1.20**
Up/Downside **4.2%**

SHORT TERM (3 MTH) **LONG TERM**
TRADING BUY **OUTPERFORM**
TRADING SELL **NEUTRAL**
UNDERPERFORM

Notes from the Field



Michael NEWBOLD, CFA
T (61) 2 9694 6066
E michael.newbold@cimb.com

Alexander LU
T (61) 2 9694 6096
E alex.lu@cimb.com

Mark WILLIAMS
T (61) 2 9694 6065
E mark.williams@cimb.com

Company Visit Expert Opinion
Channel Check Customer Views

Tough way to end a tough year

FY13 was always expected to be tough, with increased costs and a weak pricing environment likely to impact profitability. After a weak 1H, we believe that ongoing weakness in traffic data and the falling AUD have made conditions even tougher.

With conditions likely to have worsened in the 2H, we trim our forecasts accordingly. We now expect FY13 PBT of A\$18.8m (a 45% decline on the pc) and have cut our FY13F DPS 30% to 5cps. With earnings likely to disappoint at the result, we lower our rating to Neutral but believe that any material sell-off on the back of a poor result should be seen as a buying opportunity.

Conditions still biting

We always expected FY13 to be tough for REX. The removal of the en-route rebate scheme, carbon tax impost and new security requirements drove up costs in a weak pricing environment. Management guided to a PBT decline of 35-40% on the pc at the 1H13 result, but we believe things may have worsened since and therefore reduce our expectations (we now expect FY13 PBT of A\$18.8m, a 45% decline on the pc). However, FY14F and FY15F see upgrades, reflecting recent aircraft and spare part purchases.

Business remains solid

Despite the near-term challenges, we continue to believe REX is well run generating returns far in excess of its

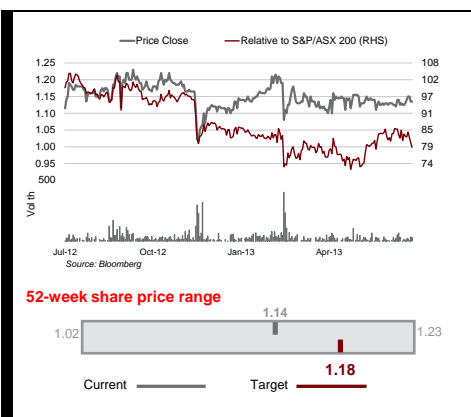
larger competitors, while the core of its business (operating on licensed routes) remains intact without much risk to this changing. While our FY13 forecasts decline, our FY14 and FY15 earnings forecasts increase, reflecting cost savings from recent asset acquisitions. We estimate that once the aircraft purchases are complete, REX will save A\$8.5m pa in leasing costs while operational spares could save REX up to 15% from its engineering and maintenance costs.

Downgrade to Neutral

Updates to our forecasts see our target price fall from A\$1.20 to A\$1.18, a 20% discount to our blended valuation due to liquidity issues. With earnings likely to disappoint at the result, we lower our rating to Neutral but believe that any material sell-off on the back of a potentially poor result should be seen as a buying opportunity. Risks to our valuation and target price include a strengthening/weakening in the domestic market, contract wins/losses in the charter business, and movements in both the fuel price and AUD/USD.

“Running a successful airline, it’s not just about two or three brilliant strategies or ideas... it really is the grind of getting thousands of things right, one at a time.

– Lim Kim Hai, Chairman



Financial Summary

	Jun-11A	Jun-12A	Jun-13F	Jun-14F	Jun-15F
Revenue (A\$m)	230.6	267.9	255.8	266.7	279.6
Operating EBITDA (A\$m)	34.40	50.24	33.86	41.73	50.23
Net Profit (A\$m)	17.59	25.50	13.62	18.91	21.46
Normalised EPS (A\$)	0.16	0.23	0.12	0.17	0.20
Normalised EPS Growth	(7.7%)	42.9%	(45.1%)	38.8%	13.5%
FD Normalised P/E (x)	7.09	4.99	9.09	6.55	5.77
DPS (A\$)	0.071	0.090	0.050	0.070	0.075
Dividend Yield	6.26%	7.93%	4.41%	6.17%	6.61%
EV/EBITDA (x)	4.01	2.19	3.09	3.25	2.29
P/FCFE (x)	9.70	3.60	11.24	NA	4.95
Net Gearing	6.2%	(9.1%)	(11.1%)	5.4%	(4.7%)
P/BV (x)	0.80	0.71	0.69	0.64	0.60
Recurring ROE	11.4%	14.9%	7.6%	10.0%	10.6%
% Change In Normalised EPS Estimates			(9.7%)	2.9%	11.2%
Normalised EPS/consensus EPS (x)			0.84	1.06	1.14

SOURCE: CIMB, COMPANY REPORTS

PEER COMPARISON

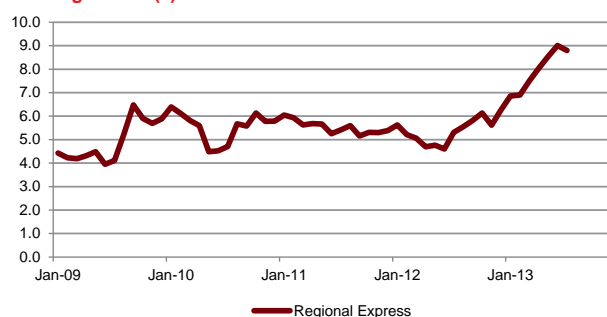
Research Coverage

	Bloomberg Code	Market	Recommendation	Mkt Cap US\$m	Price	Target Price	Upside
Regional Express	REX AU	AU	NEUTRAL	115	1.14	1.18	4.2%

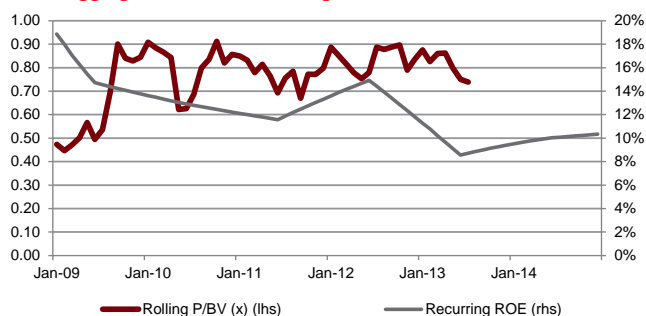
Rolling P/BV (x)



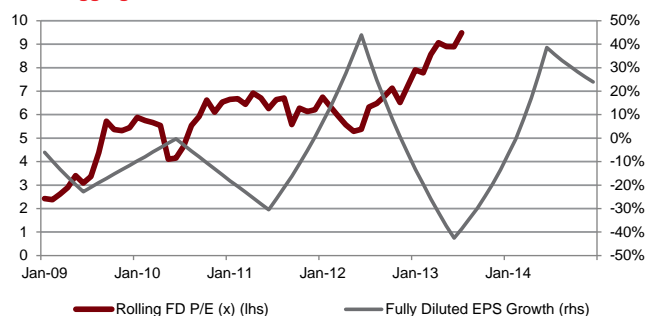
Rolling FD P/E (x)



Peer Aggregate: P/BV vs Recurring ROE



Peer Aggregate: FD P/E vs FD EPS Growth



Valuation

	P/E (FD) (x)			P/BV (x)			EV/EBITDA (x)		
	Dec-12	Dec-13	Dec-14	Dec-12	Dec-13	Dec-14	Dec-12	Dec-13	Dec-14
Regional Express	6.38	7.60	6.13	0.70	0.66	0.62	2.56	3.18	2.72

Growth and Returns

	Fully Diluted EPS Growth			Recurring ROE			Dividend Yield		
	Dec-12	Dec-13	Dec-14	Dec-12	Dec-13	Dec-14	Dec-12	Dec-13	Dec-14
Regional Express	-8.6%	-16.1%	24.0%	11.1%	8.9%	10.3%	6.16%	5.29%	6.39%

SOURCE: CIMB, COMPANY REPORTS

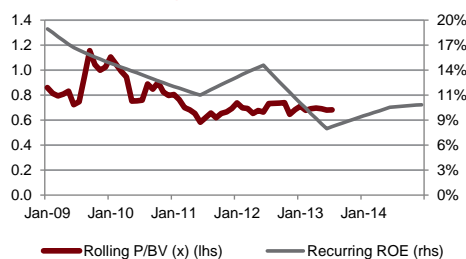
Calculations are performed using EFA™ Monthly Interpolated Annualisation and Aggregation algorithms to December year ends

BY THE NUMBERS

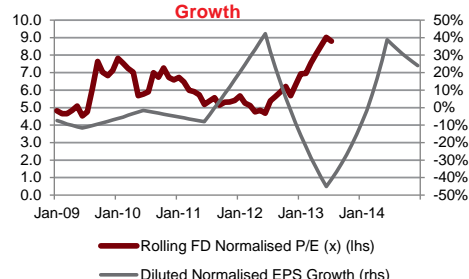
Share price info

Share px perf. (%)	1M	3M	12M
Relative	-4	3.1	-18.5
Absolute	0.4	2.3	2.7
Major shareholders			% held
Kim Hai Lim			16.4
Joe Tiau Tjoa			14.4
Thian Soo Lee			6.8

P/BV vs Recurring ROE



FD Normalised P/E vs FD Normalised EPS Growth



Profit & Loss

(A\$m)	Jun-11A	Jun-12A	Jun-13F	Jun-14F	Jun-15F
Total Net Revenues	239.6	273.8	262.0	272.8	285.8
Gross Profit	239.6	273.8	262.0	272.8	285.8
Operating EBITDA	34.4	50.2	33.9	41.7	50.2
Depreciation And Amortisation	(11.2)	(15.8)	(15.0)	(14.7)	(18.4)
Operating EBIT	23.2	34.4	18.8	27.0	31.8
Total Financial Income/(Expense)	1.2	0.0	(0.0)	0.0	(1.2)
Total Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0	0.0
Total Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	24.4	34.5	18.8	27.0	30.7
Exceptional Items					
Pre-tax Profit	24.4	34.5	18.8	27.0	30.7
Taxation	(6.6)	(9.4)	(5.2)	(8.1)	(9.2)
Exceptional Income - post-tax	(0.2)	0.4	0.0	0.0	0.0
Profit After Tax	17.6	25.5	13.6	18.9	21.5
Minority Interests	0.0	0.0	0.0	0.0	0.0
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	17.6	25.5	13.6	18.9	21.5
Normalised Net Profit	17.8	25.1	13.6	18.9	21.5
Fully Diluted Normalised Profit	17.8	25.1	13.6	18.9	21.5

Cash Flow

(A\$m)	Jun-11A	Jun-12A	Jun-13F	Jun-14F	Jun-15F
EBITDA	34.40	50.24	33.86	41.73	50.23
Cash Flow from Invt. & Assoc.					
Change In Working Capital	1.12	-3.77	-0.52	-0.93	0.73
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	-2.14	3.39	-2.73	0.00	0.00
Net Interest (Paid)/Received	1.16	-0.99	-0.03	0.02	-1.18
Tax Paid	1.02	-5.53	-5.17	-8.11	-9.20
Cashflow From Operations	35.57	43.34	25.42	32.71	40.58
Capex	-29.17	-10.28	-11.40	-58.02	-12.57
Disposals Of FAs/subsidiaries	6.62	3.54	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	0.00	0.00	0.00	0.00	0.00
Other Investing Cashflow	0.00	0.00	0.00	0.00	0.00
Cash Flow From Investing	-22.55	-6.74	-11.40	-58.02	-12.57
Debt Raised/(repaid)	0.00	-1.86	-3.00	-3.00	-3.00
Proceeds From Issue Of Shares	3.00	-2.70	0.00	0.00	0.00
Shares Repurchased					
Dividends Paid	-7.32	-7.81	-9.82	-5.50	-7.70
Preferred Dividends					
Other Financing Cashflow	0.01	0.01	0.00	0.00	0.00
Cash Flow From Financing	-4.31	-12.36	-12.82	-8.50	-10.70

BY THE NUMBERS

Balance Sheet

(A\$m)	Jun-11A	Jun-12A	Jun-13F	Jun-14F	Jun-15F
Total Cash And Equivalents	19.0	43.3	44.5	10.7	28.0
Total Debtors	10.0	13.2	12.2	12.7	13.3
Inventories	10.4	11.9	11.4	11.9	12.5
Total Other Current Assets	0.0	0.0	0.0	0.0	0.0
Total Current Assets	39.4	68.4	68.1	35.3	53.8
Fixed Assets	185.7	176.7	173.0	216.3	210.5
Total Investments	0.0	0.0	0.0	0.0	0.0
Intangible Assets	7.5	7.4	7.4	7.4	7.4
Total Other Non-Current Assets	6.9	7.0	7.0	7.0	7.0
Total Non-current Assets	200.1	191.1	187.5	230.8	224.9
Short-term Debt	1.9	2.0	2.1	2.1	2.1
Current Portion of Long-Term Debt					
Total Creditors	19.4	19.6	20.8	21.7	22.7
Other Current Liabilities	29.2	33.2	24.5	23.7	24.5
Total Current Liabilities	50.5	54.8	47.4	47.5	49.4
Total Long-term Debt	27.1	25.1	22.1	19.1	16.1
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0.6	0.9	0.0	0.0	0.0
Total Non-current Liabilities	27.8	26.0	22.1	19.1	16.1
Total Provisions	0.5	2.0	4.2	4.2	4.2
Total Liabilities	78.8	82.9	73.7	70.8	69.7
Shareholders' Equity	160.8	176.7	181.9	195.3	209.0
Minority Interests	0.0	0.0	0.0	0.0	0.0
Total Equity	160.8	176.7	181.9	195.3	209.0

Key Ratios

	Jun-11A	Jun-12A	Jun-13F	Jun-14F	Jun-15F
Revenue Growth	2.8%	16.2%	(4.5%)	4.2%	4.9%
Operating EBITDA Growth	0.7%	46.0%	(32.6%)	23.2%	20.4%
Operating EBITDA Margin	14.9%	18.8%	13.2%	15.6%	18.0%
Net Cash Per Share (A\$)	-0.09	0.15	0.18	-0.10	0.09
BVPS (A\$)	1.42	1.61	1.65	1.77	1.90
Gross Interest Cover	N/A	22.49	7.77	12.48	16.95
Effective Tax Rate	27.0%	27.3%	27.5%	30.0%	30.0%
Net Dividend Payout Ratio	45.0%	39.9%	40.4%	40.7%	38.5%
Accounts Receivables Days	15.45	15.86	18.13	17.05	16.98
Inventory Days	N/A	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A	N/A
ROIC (%)	10.0%	14.0%	8.3%	11.4%	10.6%
ROCE (%)	13.3%	18.3%	10.3%	13.7%	14.6%

SOURCE: CIMB, COMPANY REPORTS

1. DOWNGRADE TO NEUTRAL

We always expected FY13 to be tough for REX. The removal of the en-route rebate scheme, carbon tax impost and new security requirements drove up costs in a weak pricing environment. Management guided to a PBT decline of 35-40% on the pcg at the 1H13 result, but we believe things may have worsened since then and reduce our expectations accordingly (we now expect FY13 PBT of A\$18.8m, a 45% decline in PBT on the pcg). With earnings likely to disappoint at the result, we lower our rating to Neutral. However, we believe that any material sell-off on the back of a potentially poor result should be seen as a buying opportunity as we expect a recovery in FY14, driven by mild yield improvement and cost outs (despite the loss of the Ivanhoe contract in March 2013).

Updates to our forecasts see our target price decline from A\$1.20 to A\$1.18, reflecting a 20% discount to our blended valuation due to liquidity issues.

“Running a successful airline, it's not just about two or three brilliant strategies or ideas... it really is the grind of getting thousands of things right, one at a time.

– Lim Kim Hai, ChairmanCFO

Figure 1: REX FY14F blended valuation

Methodology	Valuation (A\$)	Comment
DCF	1.56	
P/B	1.55	Based on long run average 0.9x P/NTA
P/E	1.28	Based on long run average 7.4x EPS
EV/EBITDAR	1.52	Based on long run average 4.5x EV/EBITDAR
Average	1.48	Blended valuation
Target price	1.18	Reflects 20% discount for lack of liquidity

SOURCES: CIMB, COMPANY REPORTS

Despite the near-term challenges, we continue to believe REX is well run generating returns far in excess of its larger competitors, and the core of its business (operating on licensed routes) remains intact without much risk to this changing. Risks to our valuation and target price include a strengthening/weakening in the domestic market, contract wins/losses in the charter business, and movements in the fuel price and AUD/USD.

2. EARNINGS REMAIN UNDER PRESSURE

2.1 Downgrade below guidance range ►

FY13 was expected to be tough for REX. The removal of the en-route rebate scheme, carbon tax impost and new security requirements drove up costs in a weak pricing environment, leading management to guide to a PBT decline of 35-40% on the pcg at the 1H13 result. Ongoing weakness in traffic data and the falling AUD lead us to believe that the operating environment has remained tough for REX since the result. Rolling reduced forecast load factors and revised currency assumptions through our model result in a 10% reduction in our FY13F PBT to A\$18.8m. This implies a 45% reduction on the pcg (versus management guidance of a 35-40% decline). However, FY14F and FY15F PBT have actually increased by 3-11%, driven by cost savings from the recent acquisition of aircraft and spare parts (explained further below).

Our dividend forecasts have also been reduced to reflect a dividend payout ratio of 40% (broadly in line with previous years). Our FY13 DPS forecast has declined 30% to 5cps, and although we note REX has a strong net cash position and could potentially afford a higher payout ratio, given the significant cash outflow due to aircraft and spare part acquisitions (CIMBF A\$58m denominated in USD) we expect REX to maintain a conservative bias.

Figure 2: Result summary and earnings forecast changes

(A\$m)	FY13			FY14			FY15		
	Prev	New	% chg	Prev	New	% chg	Prev	New	% chg
Revenue	265.4	262.0	-1%	276.4	272.8	-1%	287.5	285.8	-1%
Operating Costs	222.2	220.6	-1%	230.8	227.2	-2%	244.7	235.6	-4%
EBITDAR	43.2	41.3	-4%	45.6	45.6	0%	42.8	50.2	17%
Operating leases	7.3	7.5	3%	5.0	3.9	-22%	0.0	0.0	nm
EBITDA	36.0	33.9	-6%	40.6	41.7	3%	42.8	50.2	17%
D&A	15.0	15.0	0%	14.7	14.7	0%	15.5	18.4	19%
Operating EBITA	21.0	18.9	-10%	26.0	27.1	4%	27.4	31.9	17%
Amortisation	0.1	0.1	0%	0.1	0.1	0%	0.1	0.1	0%
EBIT	20.9	18.8	-10%	25.9	27.0	4%	27.3	31.8	17%
Interest income	2.4	2.4	0%	2.5	2.2	-14%	2.2	0.7	-68%
Interest expense	(2.4)	(2.4)	0%	(2.2)	(2.2)	0%	(1.9)	(1.9)	0%
Net Interest	(0.0)	(0.0)	0%	0.4	0.0	-93%	0.3	(1.2)	-484%
PBT	20.9	18.8	-10%	26.3	27.0	3%	27.6	30.7	11%
Share of profit of associates	0.0	0.0	nm	0.0	0.0	nm	0.0	0.0	nm
Pre-tax Profit post associates	20.9	18.8	-10%	26.3	27.0	3%	27.6	30.7	11%
Tax	5.8	5.2	-11%	7.9	8.1	3%	8.3	9.2	11%
NPAT	15.2	13.6	-10%	18.4	18.9	3%	19.3	21.5	11%
Significant items	0.0	0.0	nm	0.0	0.0	nm	0.0	0.0	nm
Reported NPAT	15.2	13.6	-10%	18.4	18.9	3%	19.3	21.5	11%
Normalised EPS (cps)	13.9	12.5	-10%	16.9	17.3	3%	17.7	19.7	11%
DPS (cps)	7.1	5.0	-30%	7.6	7.0	-8%	8.1	7.5	-7%
EBITDA margin (%)	13.5%	12.9%	(0.6pp)	14.7%	15.3%	0.6pp	14.9%	17.6%	2.7pp
EBIT margin (%)	7.9%	7.2%	(0.7pp)	9.4%	9.9%	0.5pp	9.5%	11.1%	1.7pp
NPAT margin pre sigs (%)	5.7%	5.2%	(0.5pp)	6.7%	6.9%	0.3pp	6.7%	7.5%	0.8pp
Tax rate (%)	27.7%	27.5%	(0.2pp)	30.0%	30.0%	0.0pp	30.0%	30.0%	0.0pp

SOURCES: CIMB, COMPANY REPORTS

Figure 3: Key assumptions

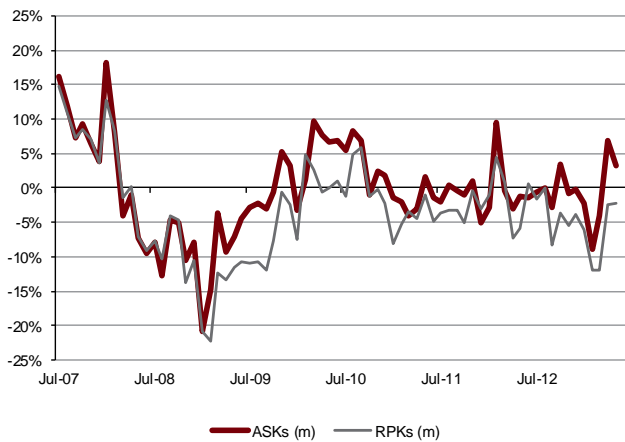
Traffic and capacity growth	FY13			FY14			FY15		
	Prev	New	% chg	Prev	New	% chg	Prev	New	% chg
Passengers carried	1,123.1	1,080.6	-3.8%	1,144.2	1,101.1	-3.8%	1,165.6	1,131.6	-2.9%
RPKs	424.5	417.1	-1.7%	432.5	425.0	-1.7%	440.6	436.8	-0.9%
ASKs	738.3	738.3	0.0%	745.7	745.7	0.0%	753.1	753.1	0.0%
Revenue set factor (%)	57.5%	56.5%	-1.0pt	58.0%	57.0%	-1.0pt	58.5%	58.0%	-0.5pt
Yield growth	3.0%	3.0%	0.0pt	2.0%	2.0%	0.0pt	2.0%	2.0%	0.0pt
Average price/bbl (Jet fuel \$USD)	117.4	117.4	0.0%	115.8	115.8	0.0%	115.8	115.8	0.0%

SOURCES: CIMB, COMPANY REPORTS

2.2 Traffic stats show weakness in loads ▶

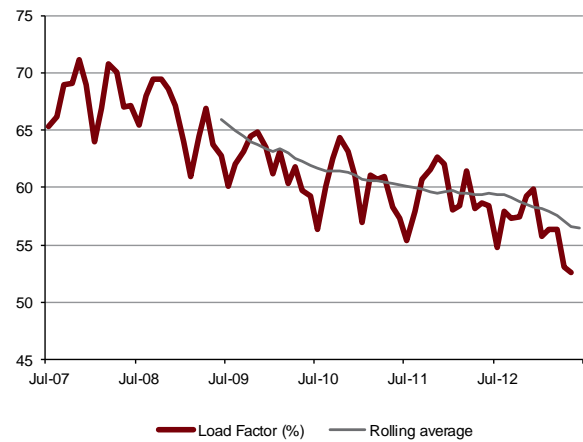
REX's traffic data has been pressured in recent years. While the Queensland Northern 1 and 2 licenced routes (awarded in December 2009) artificially reduced load factor (by 2-3 points), load factors more broadly have come under pressure over recent years as a result of tough economic conditions and competition on non-monopoly routes. REX has recently been rebalancing its network, which has resulted in changes to schedules, reduced flying (FY13F ASKS -0.5% on the pcp) and load factor dipping below 55% in certain months. With much of this network change now completed, we believe load factors have bottomed and expect them to recover to 56-58% in the longer term (two-year average is 58%, longer-term average is even higher).

Figure 4: ASK and RPK growth (on the pcj)



SOURCES: CIMB, COMPANY REPORTS

Figure 5: Load factor % vs 12-month rolling average



SOURCES: CIMB, COMPANY REPORTS

2.3 Asset acquisitions to reduce future costs ▶

REX recently announced (4 July) that it had purchased seven SAAB 340Bplus aircraft, previously under lease, from operating cash. This transaction, combined with the purchase of a further 18 aircraft off-lease in March 2014, will impact FY14 cash flow (CIMBF A\$58m capex) and has already been factored into our forecasts. The buy versus lease argument is compelling for REX; aircraft cost between US\$1.5m-2m with an average life of 15 years, compared with leasing at US\$300k per year in an environment where the AUD is expected to weaken.

REX also recently announced (8 July) that it had purchased the entire SAAB 340 spare parts holdings from Pinnacle Airlines in the USA. We understand that the transaction was struck at a significant discount to the retail price for the spare parts and will help to materially reduce maintenance costs over future periods.

We estimate that once the aircraft purchases are complete REX will save A\$8.5m pa (assuming AUD/USD 0.9) while operational spares could save REX up to 15% from its engineering and maintenance costs. We have factored these savings into our forecasts, which have driven the increased earnings estimates for FY14 and beyond.

Financial summary

Regional Express						Closing price (A\$)		Target price (A\$)		
Income statement (A\$m)						2011A	2012A	2013F	2014F	2015F
Divisional sales	231	268	256	267	280					
Total revenue	240	274	262	273	286					
EBITDA	34.4	50.2	33.9	41.7	50.2					
Associate income	0.0	0.0	0.0	0.0	0.0					
Depreciation	(11.1)	(15.7)	(14.9)	(14.6)	(18.3)					
EBITA	23.2	34.4	18.8	27.0	31.8					
Amortisation/impairment	0.0	0.0	0.0	0.0	0.0					
EBIT	23.2	34.4	18.8	27.0	31.8					
EBIT(incl associate profit)	23.2	34.4	18.8	27.0	31.8					
Net interest expense	1.2	0.0	(0.0)	0.0	(1.2)					
Pre-tax profit	24.4	34.5	18.8	27.0	30.7					
Income tax expense	(6.6)	(9.4)	(5.2)	(8.1)	(9.2)					
After-tax profit	17.8	25.1	13.6	18.9	21.5					
Minority interests	0.0	0.0	0.0	0.0	0.0					
NPAT (normalised)	17.8	25.1	13.6	18.9	21.5					
Significant items	(0.2)	0.4	0.0	0.0	0.0					
NPAT (reported)	17.6	25.5	13.6	18.9	21.5					
Cash flow (A\$m)										
EBITDA	34.4	50.2	33.9	41.7	50.2					
Change in working capital	1.1	(3.8)	(0.5)	(0.9)	0.7					
Net interest (pd)/rec	1.2	(1.0)	(0.0)	0.0	(1.2)					
Taxes paid	1.0	(5.5)	(5.2)	(8.1)	(9.2)					
Other oper cash items	(2.1)	3.4	(2.7)	0.0	0.0					
Cash flow from ops (1)	35.6	43.3	25.4	32.7	40.6					
Capex (2)	(29.2)	(10.3)	(11.4)	(58.0)	(12.6)					
Disposals/(acquisitions)	0.0	0.0	0.0	0.0	0.0					
Other investing cash flow	0.0	0.0	0.0	0.0	0.0					
Cash flow from invest (3)	(22.5)	(6.7)	(11.4)	(58.0)	(12.6)					
Incr/(decr) in equity	3.0	(2.7)	0.0	0.0	0.0					
Incr/(decr) in debt	0.0	(1.9)	(3.0)	(3.0)	(3.0)					
Ordinary dividend paid	(7.3)	(7.8)	(9.8)	(5.5)	(7.7)					
Preferred dividends (4)	0.0	0.0	0.0	0.0	0.0					
Other financing cash flow	0.0	0.0	0.0	0.0	0.0					
Cash flow from fin (5)	(4.3)	(12.4)	(12.8)	(8.5)	(10.7)					
Forex and disc ops (6)	0.0	0.0	0.0	0.0	0.0					
Incr/(decr) cash (1+3+5+6)	8.7	24.2	1.2	(33.8)	17.3					
Equity FCF (1+2+4)	6.4	33.1	14.0	(25.3)	28.0					
Balance sheet (A\$m)										
Cash & deposits	19.0	43.3	44.5	10.7	28.0					
Trade debtors	10.0	13.2	12.2	12.7	13.3					
Inventory	10.4	11.9	11.4	11.9	12.5					
Investments	0.0	0.0	0.0	0.0	0.0					
Goodwill	0.0	0.0	0.0	0.0	0.0					
Other intangible assets	7.5	7.4	7.4	7.4	7.4					
Fixed assets	185.7	176.7	173.0	216.3	210.5					
Other assets	6.9	7.1	7.1	7.1	7.1					
Total assets	239.6	259.6	255.6	266.0	278.7					
Short-term borrowings	0.0	0.0	0.0	0.0	0.0					
Trade payables	19.4	19.6	20.8	21.7	22.7					
Long-term borrowings	27.1	25.1	22.1	19.1	16.1					
Provisions	0.5	2.0	4.2	4.2	4.2					
Other liabilities	31.8	36.1	26.6	25.8	26.7					
Total liabilities	78.8	82.9	73.7	70.8	69.7					
Preference shares	0.0	0.0	0.0	0.0	0.0					
Hybrid equity	0.0	0.0	0.0	0.0	0.0					
Share capital	74.7	72.0	72.0	72.0	72.0					
Other reserves	(0.2)	0.8	(2.2)	0.0	0.6					
FCTR	0.0	0.0	0.0	0.0	0.0					
Unrealised gains/losses	0.0	0.0	0.0	0.0	0.0					
Retained earnings	86.3	104.0	112.1	123.3	136.5					
Other equity	0.0	0.0	0.0	0.0	0.0					
Total equity	160.8	176.7	181.9	195.3	209.0					
Minority interest	0.0	0.0	0.0	0.0	0.0					
Total shareholders' equity	160.8	176.7	181.9	195.3	209.0					
Total liabilities & SE	239.6	259.6	255.6	266.0	278.7					
Valuation metrics										
Preferred methodology	DCF/multiples		Valuation		1.48					
DCF valuation inputs										
Rf	5.25%		10-year rate		5.25%					
Rm-Rf	7.50%		Margin		2.8%					
Beta	1.25		Kd		8.00%					
CAPM (Rf+Beta(Rm-Rf))	14.6%		Ke		12.7%					
E/EV*Ke+D/EV*Kd(1-t)			NPV cash flow (A\$m)		95.8					
Equity (E/EV)	75.0%		Minority interest (A\$m)		0.0					
Debt (D/EV)	25.0%		Net debt (A\$m)		-16.1					
Interest rate	8.0%		Investments (A\$m)		0.0					
Tax rate (t)	30.0%		Equity market value (A\$m)		111.9					
WACC	11.0%		Diluted no. of shares (m)		72.0					
DCF valuation (A\$)						1.56				
Multiples										
Enterprise value (A\$m)	2012A	2013F	2014F	2015F						
EV/Sales (x)	0.5	0.4	0.4	0.5						
EV/EBITDA (x)	2.7	3.2	2.5	2.7						
EV/EBIT (x)	3.9	5.8	3.9	4.3						
PE (normalised) (x)	5.0	9.1	6.5	5.8						
PEG (normalised) (x)	10.8	(19.7)	16.9	42.7						
Price/Book (x)	0.71	0.69	0.64	0.60						
At target price										
EV/EBITDA (x)	2012A	2013F	2014F	2015F						
PE (normalised) (x)	2.8	3.4	2.6	2.8						
	5.2	9.5	6.8	6.0						
Comparable company data (x)										
Qantas Airways	EV/EBITDA	2013F	2014F	2015F						
Y/E June	EV/EBIT	21.7	9.3	7.7						
	PE	42.9	9.0	6.8						
	PEG	4.5	0.0	0.2						
Virgin Australia Holdings	EV/EBITDA	5.8	4.5	4.1						
Y/E June	EV/EBIT	22.0	11.1	9.7						
	PE	25.5	11.7	10.2						
	PEG	-0.7	0.1	0.7						
Per share data										
No. shares	2012A	2013F	2014F	2015F						
EPS (cps)	111.3	110.0	110.0	110.0						
EPS (normalised) (cps)	23.1	12.5	17.3	19.7						
Dividend per share (cps)	22.8	12.5	17.3	19.7						
Dividend yield (%)	9.0	5.0	7.0	7.5						
Dividend payout ratio (%)	100%	100%	100%	100%						
Dividend yield (%)	39.5%	40.0%	40.4%	38.1%						
	7.9%	4.4%	6.2%	6.6%						
Growth ratios										
Sales growth	2012A	2013F	2014F	2015F						
Operating cost growth	16.2%	-4.5%	4.2%	4.9%						
EBITDA growth	8.9%	2.1%	1.3%	1.9%						
EBITA growth	46.0%	-32.6%	23.2%	20.4%						
EBIT growth	48.2%	-45.3%	43.4%	17.9%						
Reported NPAT growth	48.2%	-45.3%	43.4%	17.9%						
Normalised NPAT growth	44.9%	-46.6%	38.8%	13.5%						
Reported EPS growth	40.9%	-45.7%	38.8%	13.5%						
Normalised EPS growth	46.3%	-46.0%	38.8%	13.5%						
	42.2%	-45.1%	38.8%	13.5%						
Operating performance										
Asset turnover	2012A	2013F	2014F	2015F						
EBITDA margin	23.1%	26.0%	24.5%	24.5%						
EBIT margin	18.8%	13.2%	15.6%	18.0%						
Net profit margin	12.9%	7.4%	10.1%	11.4%						
Return on net assets	9.4%	5.3%	7.1%	7.7%						
Net debt (A\$m)	19.5%	10.3%	13.8%	15.2%						
Net debt/equity	-18.2	-22.4	8.4	-11.9						
Net interest/EBIT cover (x)	-10.3%	-12.3%	4.3%	-5.7%						
ROIC	-702.6	601.1	-1248.1	27.1						
	14.0%	8.3%	11.4%	10.6%						
Internal liquidity										
Current ratio (x)	2012A	2013F	2014F	2015F						
Receivables turnover (x)	1.2	1.4	0.7	1.1						
Payables turnover (x)	19.9	21.1	20.5	20.5						
	10.1	10.8	10.4	10.1						
Assumptions										
AUD/USD	2012A	2013F	2014F	2015F						
	1.037	0.950	0.950	0.950						

SOURCES: CIMB FORECASTS, COMPANY REPORTS

DISCLAIMER

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.

By accepting this report, the recipient hereof represents and warrants that he is entitled to receive such report in accordance with the restrictions set forth below and agrees to be bound by the limitations contained herein (including the "Restrictions on Distributions" set out below). Any failure to comply with these limitations may constitute a violation of law. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMB.

Unless otherwise specified, this report is based upon sources which CIMB considers to be reasonable. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research.

Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of CIMB or its affiliates to any person to buy or sell any investments.

CIMB, its affiliates and related companies, their directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, CIMB, its affiliates and its related companies do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report.

CIMB or its affiliates may enter into an agreement with the company(ies) covered in this report relating to the production of research reports. CIMB may disclose the contents of this report to the company(ies) covered by it and may have amended the contents of this report following such disclosure.

The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously. No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report. CIMB prohibits the analyst(s) who prepared this research report from receiving any compensation, incentive or bonus based on specific investment banking transactions or for providing a specific recommendation for, or view of, a particular company. Information barriers and other arrangements may be established where necessary to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/her coverage of company(ies) in the performance of his/her duties or the performance of his/her recommendations and the research personnel involved in the preparation of this report may also participate in the solicitation of the businesses as described above. In reviewing this research report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request.

Reports relating to a specific geographical area are produced by the corresponding CIMB entity as listed in the table below. The term "CIMB" shall denote, where appropriate, the relevant entity distributing or disseminating the report in the particular jurisdiction referenced below, or, in every other case, CIMB Group Holdings Berhad ("CIMBGH") and its affiliates, subsidiaries and related companies.

Country	CIMB Entity	Regulated by
Australia	CIMB Securities (Australia) Limited	Australian Securities & Investments Commission
Hong Kong	CIMB Securities Limited	Securities and Futures Commission Hong Kong
Indonesia	PT CIMB Securities Indonesia	Financial Services Authority of Indonesia
India	CIMB Securities (India) Private Limited	Securities and Exchange Board of India (SEBI)
Malaysia	CIMB Investment Bank Berhad	Securities Commission Malaysia
Singapore	CIMB Research Pte. Ltd.	Monetary Authority of Singapore
South Korea	CIMB Securities Limited, Korea Branch	Financial Services Commission and Financial Supervisory Service
Taiwan	CIMB Securities Limited, Taiwan Branch	Financial Supervisory Commission
Thailand	CIMB Securities (Thailand) Co. Ltd.	Securities and Exchange Commission Thailand

(i) As of July 11, 2013 CIMB has a proprietary position in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report:

(a) -

(ii) As of July 12, 2013, the analyst(s) who prepared this report, has / have an interest in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report:

(a) -

The information contained in this research report is prepared from data believed to be correct and reliable at the time of issue of this report. CIMB may or may not issue regular reports on the subject matter of this report at any frequency and may cease to do so or change the periodicity of reports at any time. CIMB is under no obligation to update this report in the event of a material change to the information contained in this report. This report does not purport to contain all the information that a prospective investor may require. CIMB or any of its affiliates does not make any guarantee, representation or warranty, express or implied, as to the adequacy, accuracy, completeness, reliability or fairness of any such information and opinion contained in this report. Neither CIMB nor any of its affiliates nor its related persons shall be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

This report is general in nature and has been prepared for information purposes only. It is intended for circulation amongst CIMB and its affiliates' clients generally and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. The information and opinions in this report are not and should not be construed or considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments thereof. Investors are advised to make their own independent evaluation of the information contained in this research report, consider their own individual investment objectives, financial situation and particular needs and consult their own professional and financial advisers as to the legal, business, financial, tax and other aspects before participating in any transaction in respect of the securities of company(ies) covered in this research report. The securities of such company(ies) may not be eligible for sale in all jurisdictions or to all categories of investors.

Australia: Despite anything in this report to the contrary, this research is provided in Australia by CIMB Securities (Australia) Limited ("CSAL") (ABN 84 002 768 701, AFS Licence number 240 530). CSAL is a Market Participant of ASX Ltd, a Clearing Participant of ASX Clear Pty Ltd, a Settlement Participant of ASX Settlement Pty Ltd, and, a participant of Chi X Australia Pty Ltd. This research is only available in Australia to persons who are "wholesale clients" (within the meaning of the Corporations Act 2001 (Cth)) and is supplied solely for the use of such wholesale clients and shall not be distributed or passed on to any other person. This research has been prepared without taking into account the objectives, financial situation or needs of the individual recipient.

In the last 12 months, CIMB Capital Markets (Australia) Ltd or CIMB Corporate Finance (Australia) Ltd has had an investment banking relationship, from which it may or has received fees, with EFACustomPropPosnAU].

In the last 12 months, CIMB Securities (Australia) Ltd was involved in a capital raising or as manager to an offer, from which it may or has received fees, for EFACustomActAsManager].

France: Only qualified investors within the meaning of French law shall have access to this report. This report shall not be considered as an offer to subscribe to, or used in connection with, any offer for subscription or sale or marketing or direct or indirect distribution of financial instruments and it is not intended as a solicitation for the purchase of any financial instrument.

Hong Kong: This report is issued and distributed in Hong Kong by CIMB Securities Limited ("CHK") which is licensed in Hong Kong by the Securities and Futures Commission for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) activities. Any investors wishing to purchase or otherwise deal in the securities covered in this report should contact the Head of Sales at CIMB Securities Limited. The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CHK has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CHK. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CHK. Unless permitted to do so by the securities laws of Hong Kong, no person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the securities covered in this report, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong).

India: This report is issued and distributed in India by CIMB Securities (India) Private Limited ("CIMB India") which is registered with SEBI as a stock-broker under the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992 and in accordance with the provisions of Regulation 4 (g) of the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013, CIMB India is not required to seek registration with SEBI as an Investment Adviser.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of CIMB India and they have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues, client feedback and competitive factors. Research analysts', strategists' or economists' compensation is not linked to investment banking or capital markets transactions performed or proposed to be performed by CIMB India or its affiliates.

Indonesia: This report is issued and distributed by PT CIMB Securities Indonesia ("CIMBI"). The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMBI has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CIMBI. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMBI. Neither this report nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesia residents except in compliance with applicable Indonesian capital market laws and regulations.

Malaysia: This report is issued and distributed by CIMB Investment Bank Berhad ("CIMB"). The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMB has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CIMB. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMB.

New Zealand: In New Zealand, this report is for distribution only to persons whose principal business is the investment of money or who, in the course of, and for the purposes of their business, habitually invest money pursuant to Section 3(2)(a)(ii) of the Securities Act 1978.

Singapore: This report is issued and distributed by CIMB Research Pte Ltd ("CIMBR"). Recipients of this report are to contact CIMBR in Singapore in respect of any matters arising from, or in connection with, this report. The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMBR has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only. If the recipient of this research report is not an accredited investor, expert investor or institutional investor, CIMBR accepts legal responsibility for the contents of the report without any disclaimer limiting or otherwise curtailing such legal responsibility. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMBR..

As of July 11, 2013, CIMBR does not have a proprietary position in the recommended securities in this report.

South Korea: This report is issued and distributed in South Korea by CIMB Securities Limited, Korea Branch ("CIMB Korea") which is licensed as a cash equity broker, and regulated by the Financial Services Commission and Financial Supervisory Service of Korea.

The views and opinions in this research report are our own as of the date hereof and are subject to change, and this report shall not be considered as an offer to subscribe to, or used in connection with, any offer for subscription or sale or marketing or direct or indirect distribution of financial investment instruments and it is not intended as a solicitation for the purchase of any financial investment instrument.

This publication is strictly confidential and is for private circulation only, and no part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMB Korea.

Sweden: This report contains only marketing information and has not been approved by the Swedish Financial Supervisory Authority. The distribution of this report is not an offer to sell to any person in Sweden or a solicitation to any person in Sweden to buy any instruments described herein and may not be forwarded to the public in Sweden.

Taiwan: This research report is not an offer or marketing of foreign securities in Taiwan. The securities as referred to in this research report have not been and will not be registered with the Financial Supervisory Commission of the Republic of China pursuant to relevant securities laws and regulations and may not be offered or sold within the Republic of China through a public offering or in circumstances which constitutes an offer or a placement within the meaning of the Securities and Exchange Law of the Republic of China that requires a registration or approval of the Financial Supervisory Commission of the Republic of China.

Thailand: This report is issued and distributed by CIMB Securities (Thailand) Company Limited (CIMBS). The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMBS has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CIMBS. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMBS.

Corporate Governance Report:

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 result may be changed after that date. CIMBS does not confirm nor certify the accuracy of such survey result.

Score Range:	90 – 100	80 – 89	70 – 79	Below 70 or	No Survey Result
Description:		Excellent	Very Good	Good	N/A

United Arab Emirates: The distributor of this report has not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities or governmental agencies in the United Arab Emirates. This report is strictly private and confidential and has not been reviewed by, deposited or registered with UAE Central Bank or any other licensing authority or governmental agencies in the United Arab Emirates. This report is being issued outside the United Arab Emirates to a limited number of institutional investors and must not be

provided to any person other than the original recipient and may not be reproduced or used for any other purpose. Further, the information contained in this report is not intended to lead to the sale of investments under any subscription agreement or the conclusion of any other contract of whatsoever nature within the territory of the United Arab Emirates.

United Kingdom and Europe: In the United Kingdom and European Economic Area, this report is being disseminated by CIMB Securities (UK) Limited ("CIMB UK"). CIMB UK is authorised and regulated by the Financial Services Authority and its registered office is at 27 Knightsbridge, London, SW1X 7YB. This report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are persons that are eligible counterparties and professional clients of CIMB UK; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Order"); (c) are persons falling within Article 49 (2) (a) to (d) ("high net worth companies, unincorporated associations etc") of the Order; (d) are outside the United Kingdom; or (e) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with any investments to which this report relates may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This report is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons.

Only where this report is labelled as non-independent, it does not provide an impartial or objective assessment of the subject matter and does not constitute independent "investment research" under the applicable rules of the Financial Services Authority in the UK. Consequently, any such non-independent report will not have been prepared in accordance with legal requirements designed to promote the independence of investment research and will not be subject to any prohibition on dealing ahead of the dissemination of investment research.

United States: This research report is distributed in the United States of America by CIMB Securities (USA) Inc, a U.S.-registered broker-dealer and a related company of CIMB Research Pte Ltd, CIMB Investment Bank Berhad, PT CIMB Securities Indonesia, CIMB Securities (Thailand) Co. Ltd, CIMB Securities Limited, CIMB Securities (Australia) Limited, CIMB Securities (India) Private Limited, and is distributed solely to persons who qualify as "U.S. Institutional Investors" as defined in Rule 15a-6 under the Securities and Exchange Act of 1934. This communication is only for Institutional Investors whose ordinary business activities involve investing in shares, bonds and associated securities and/or derivative securities and who have professional experience in such investments. Any person who is not a U.S. Institutional Investor or Major Institutional Investor must not rely on this communication. The delivery of this research report to any person in the United States of America is not a recommendation to effect any transactions in the securities discussed herein, or an endorsement of any opinion expressed herein. CIMB Securities (USA) Inc, is a FINRA/SIPC member and takes responsibility for the content of this report. For further information or to place an order in any of the above-mentioned securities please contact a registered representative of CIMB Securities (USA) Inc.

Other jurisdictions: In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is only for distribution to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

Spitzer Chart for stock being researched (2 year data)



Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2013		
1095 companies under coverage		
	Rating Distribution (%)	Investment Banking clients (%)
Outperform/Buy/Trading Buy	52.6%	7.3%
Neutral	33.7%	4.6%
Underperform/Sell/Trading Sell	13.7%	5.5%

Recommendation Framework #1 *

Stock

OUTPERFORM: The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 12 months.

NEUTRAL: The stock's total return is expected to be within +/-5% of a relevant benchmark's total return.

UNDERPERFORM: The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 12 months.

TRADING BUY: The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 3 months.

TRADING SELL: The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 3 months.

Sector

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.

TRADING BUY: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 3 months.

TRADING SELL: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 3 months.

* This framework only applies to stocks listed on the Singapore Stock Exchange, Bursa Malaysia, Stock Exchange of Thailand, Jakarta Stock Exchange, Australian Securities Exchange, Taiwan Stock Exchange and National Stock Exchange of India/Bombay Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.

Recommendation Framework #2 **

Stock	Sector
OUTPERFORM: Expected positive total returns of 10% or more over the next 12 months.	OVERWEIGHT: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +10% or better over the next 12 months.
NEUTRAL: Expected total returns of between -10% and +10% over the next 12 months.	NEUTRAL: The industry, as defined by the analyst's coverage universe, has either (i) an equal number of stocks that are expected to have total returns of +10% (or better) or -10% (or worse), or (ii) stocks that are predominantly expected to have total returns that will range from +10% to -10%; both over the next 12 months.
UNDERPERFORM: Expected negative total returns of 10% or more over the next 12 months.	UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -10% or worse over the next 12 months.
TRADING BUY: Expected positive total returns of 10% or more over the next 3 months.	TRADING BUY: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +10% or better over the next 3 months.
TRADING SELL: Expected negative total returns of 10% or more over the next 3 months.	TRADING SELL: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -10% or worse over the next 3 months.

*** This framework only applies to stocks listed on the Korea Exchange, Hong Kong Stock Exchange and China listings on the Singapore Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.*

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (IOD) in 2012.

AAV – not available, **ADVANC** - Excellent, **AEONTS** – Good, **AMATA** - Very Good, **ANAN** – not available, **AOT** - Excellent, **AP** - Very Good, **BANPU** - Excellent, **BAY** - Excellent, **BBL** - Excellent, **BCH** – not available, **BCP** - Excellent, **BEC** - Very Good, **BGH** - not available, **BJC** – Very Good, **BH** - Very Good, **BIGC** - Very Good, **BTS** - Excellent, **CCET** - Good, **CENTEL** – Very Good, **CK** - Very Good, **CPALL** - Very Good, **CPF** - Very Good, **CPN** - Excellent, **DELTA** - Very Good, **DTAC** - Very Good, **EGCO** – Excellent, **ERW** – Excellent, **GLOBAL** - Good, **GLOW** - Very Good, **GRAMMY** – Excellent, **HANA** - Very Good, **HEMRAJ** - Excellent, **HMPRO** - Very Good, **INTUCH** – Very Good, **ITD** – Very Good, **IVL** - Very Good, **JAS** – Very Good, **KAMART** – not available, **KBANK** - Excellent, **KK** – Excellent, **KTB** - Excellent, **LH** - Very Good, **LPN** - Excellent, **MAJOR** - Good, **MAKRO** – Very Good, **MCOT** - Excellent, **MINT** - Very Good, **PS** - Excellent, **PSL** - Excellent, **PTT** - Excellent, **PTTGC** - Excellent, **PTTEP** - Excellent, **QH** - Excellent, **RATCH** - Excellent, **ROBINS** - Excellent, **RS** – Excellent, **SAMART** – Excellent, **SC** – Excellent, **SCB** - Excellent, **SCC** - Excellent, **SCCC** - Very Good, **SIRI** - Good, **SPALI** - Very Good, **SRICHA** – not available, **SSI** – not available, **STA** - Good, **STEC** - Very Good, **TCAP** - Very Good, **THAI** - Excellent, **THCOM** – Very Good, **TICON** – Very Good, **TISCO** - Excellent, **TMB** - Excellent, **TOP** - Excellent, **TRUE** - Very Good, **TTW** – Very Good, **TUF** - Very Good, **VGI** – not available, **WORK** – Good.