

MYNEWS Holdings Berhad

MYNE.KL MNHB MK

EQUITY: CONSUMER RELATED

Expecting the next leg of growth in FY19F

Store expansion & ready-to-eat to drive growth

Action: Maintain Buy, raise TP to MYR1.65, on higher growth potential

We maintain our Buy rating, but raise our P/E-derived TP to MYR1.65, based on 29x FY19F P/E (EPS: 5.7sen) to chiefly reflect the attractive growth prospects we expect at MYNews from 2HFY18F through FY19F. We take into account the 1-for-1 bonus issue, 10% new issued shares and raise revenue by 6-9% to reflect the faster-than-expected store expansion (90 vs 70 previously), and lift FY19F EPS by c.4% to reflect the potential gross margin expansion post its launch of RTE products by CY18F, mitigated by higher expected salary and rental expenses. While the street has seemingly priced in the growth prospects via the increased store expansion, we still believe there are three factors (shown below) that are currently underappreciated. MYNews currently trades at FY18F P/E of 32.1x and FY19F P/E of 24.6x.

GPM to rise to 38% in FY19F (vs 36.7% currently) from RTE expansion

We are positive on its ready-to-eat (RTE) expansion and expect GPM to grow 60bps and 70bps in FY18F/19F, respectively, to 38% post the launch of its RTE lines in CY18. As a yardstick, MYNews's F&B mix stands at c.42% (RTE is c.¼ of this), vs peers with F&B exposure at >50-60%. We expect a larger F&B sales mix (GPM of 16-47%), led by RTE products, to continue displacing its tobacco mix (GPM of 8-9%). Beyond this, we estimate average ticket size at MYNews to be half of what its peers are at currently, representing huge potential for growth post its RTE launch.

c.3% FCF yield to be generated post peak capex cycle in FY18

We estimate MYNews will generate FCF yield of c.3% post its peak capex cycle in FY18F, despite MYNews still being relatively early in its growth phase. We estimate FY18F capex at c.MYR95mn (including the MYR54mn acquisition of the new site) given the shift to its RTE model (more dining areas) and upgrades to its existing backend and IT infrastructure. FY19F capex should be closer to MYR24m, to cover the 90 new stores planned.

JV contribution to make up c.7.5% of FY19F EPS after 2 JV agreements

We refer to Bursa's announcement ([link](#)) on the two JV agreements signed by MYNews back in Oct'17, and (conservatively) expect JV contributions at c. MYR3mn (7.5% of our EPS estimate) by FY19F, including contribution from WHSmith. This is likely a result of its continued expansion into RTE, yielding better earnings contributions, and cost savings from its JV entities.

Year-end 31 Oct	FY17	FY18F		FY19F		FY20F	
Currency (MYR)	Actual	Old	New	Old	New	Old	New
Revenue (mn)	326	392	414	458	497		578
Reported net profit (mn)	24	32	30	37	39		48
Normalised net profit (mn)	24	32	30	37	39		48
FD normalised EPS	7.74c	10.25c	4.36c	12.07c	5.69c		7.05c
FD norm. EPS growth (%)	24.4	28.5	-43.7	17.8	30.7		23.9
FD normalised P/E (x)	18.1	N/A	32.1	N/A	24.6	N/A	19.8
EV/EBITDA (x)	25.5	N/A	19.5	N/A	15.2	N/A	12.3
Price/book (x)	1.8	N/A	3.6	N/A	3.3	N/A	2.9
Dividend yield (%)	1.4	N/A	0.9	N/A	1.1	N/A	1.3
ROE (%)	12.2	17.1	11.8	17.3	14.0		15.5
Net debt/equity (%)	net cash	net cash	1.7	net cash	net cash		net cash

Source: Company data, Nomura estimates

Key company data: See next page for company data and detailed price/index chart.

Global Markets Research

4 January 2018

Rating	Buy
Remains	
Target Price	MYR 1.65
Increased from 1.35	
Closing price	MYR 1.40
3 January 2018	
Potential upside	+17.9%

Anchor themes

We expect sales growth to remain resilient in FY18F, along with significant store expansion. On a longer-term basis, we believe the ready-to-eat segment is likely to provide meaningful margin expansion of around 70-100bps from FY19F. Lastly, post its peak capex cycle in FY18F, we expect better free cashflow generation.

Nomura vs consensus

We are above consensus for FY18F & FY19F revenue, EBITDA and NPAT.

Research analysts

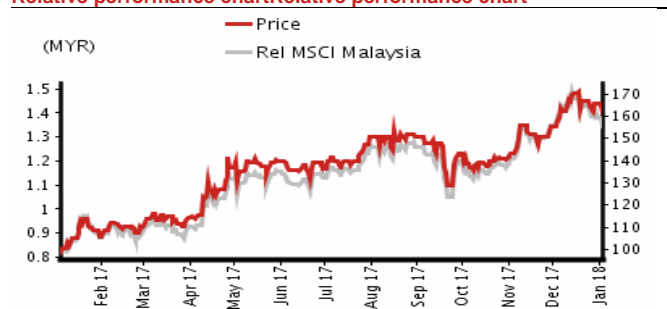
Malaysia Consumer Related

Guo Hao Yong - NSL

guohao.yong@nomura.com
+65 6433 6967

Key data on MYNEWS Holdings Berhad

Relative performance chart



Source: Thomson Reuters, Nomura research

Notes:

Performance

(%)	1M	3M	12M		
Absolute (MYR)	4.1	15.2	67.7	M cap (USDmn)	238.0
Absolute (USD)	6.0	21.6	87.6	Free float (%)	25.8
Rel to MSCI Malaysia	-0.5	13.0	58.3	3-mth ADT (USDmn)	0.2

Income statement (MYRmn)

Year-end 31 Oct	FY16	FY17	FY18F	FY19F	FY20F
Revenue	264	326	414	497	578
Cost of goods sold	-170	-207	-260	-308	-355
Gross profit	94	120	154	189	222
SG&A	-69	-86	-110	-132	-153
Employee share expense	-3	-4	-8	-9	-11
Operating profit	23	29	36	48	59
EBITDA	27	35	47	60	72
Depreciation	-4	-6	-11	-12	-13
Amortisation	0	0	0	0	0
EBIT	23	29	36	48	59
Net interest expense	-1	0	-1	-1	-1
Associates & JCEs	1	2	2	3	4
Other income	0	0	0	0	0
Earnings before tax	24	31	38	50	62
Income tax	-5	-6	-8	-11	-14
Net profit after tax	18	24	30	39	48
Minority interests					
Other items	1	0	0	0	0
Preferred dividends					
Normalised NPAT	19	24	30	39	48
Extraordinary items	-1	0	0	0	0
Reported NPAT	18	24	30	39	48
Dividends	-5	-6	-9	-10	-12
Transfer to reserves	13	18	21	29	36

Valuations and ratios

Reported P/E (x)	23.9	18.1	32.1	24.6	19.8
Normalised P/E (x)	22.5	18.1	32.1	24.6	19.8
FD normalised P/E (x)	22.5	18.1	32.1	24.6	19.8
Dividend yield (%)	1.1	1.4	0.9	1.1	1.3
Price/cashflow (x)	22.1	43.0	31.0	21.3	17.1
Price/book (x)	2.8	1.8	3.6	3.3	2.9
EV/EBITDA (x)	33.1	25.5	19.5	15.2	12.3
EV/EBIT (x)	39.2	30.4	24.8	18.7	14.9
Gross margin (%)	35.8	36.7	37.3	38.0	38.5
EBITDA margin (%)	10.4	10.8	11.4	12.0	12.4
EBIT margin (%)	8.7	8.9	8.8	9.6	10.2
Net margin (%)	6.9	7.4	7.2	7.8	8.3
Effective tax rate (%)	23.2	21.2	21.2	22.0	22.0
Dividend payout (%)	25.6	25.9	28.7	26.4	24.8
ROE (%)	17.4	12.2	11.8	14.0	15.5
ROA (pretax %)	17.2	13.7	13.5	15.8	18.2

Growth (%)

Revenue	21.4	23.6	26.8	20.0	16.3
EBITDA	30.0	27.9	33.9	26.5	20.7
Normalised EPS	6.4	24.4	-43.7	30.7	23.9
Normalised FDEPS	6.4	24.4	-43.7	30.7	23.9

Source: Company data, Nomura estimates

Cashflow statement (MYRmn)

Year-end 31 Oct	FY16	FY17	FY18F	FY19F	FY20F
EBITDA	27	35	47	60	72
Change in working capital	-58	-75	79	-6	-5
Other operating cashflow	50	50	-96	-8	-11
Cashflow from operations	20	10	31	45	56
Capital expenditure	-24	-22	-95	-24	-25
Free cashflow	-4	-12	-64	21	31
Reduction in investments					
Net acquisitions					
Dec in other LT assets					
Inc in other LT liabilities					
Adjustments	-62	-47	54	0	1
CF after investing acts	-66	-59	-10	21	31
Cash dividends	-5	-6	-9	-10	-12
Equity issue	82	71	0	0	0
Debt issue	-1	-1	9	-1	-1
Convertible debt issue					
Others	-1	0	-1	-1	-1
CF from financial acts	75	64	-1	-12	-14
Net cashflow	10	5	-11	9	17
Beginning cash	7	17	22	11	20
Ending cash	17	22	11	20	37
Ending net debt	-8	-15	4	-6	-24

Balance sheet (MYRmn)

As at 31 Oct	FY16	FY17	FY18F	FY19F	FY20F
Cash & equivalents	17	22	11	20	37
Marketable securities					
Accounts receivable	25	37	44	48	52
Inventories	30	32	40	48	55
Other current assets	56	109	19	19	19
Total current assets	128	199	115	135	163
LT investments	65	81	165	177	189
Fixed assets	0	0	0	0	0
Goodwill					
Other intangible assets	0	0	0	0	0
Other LT assets	11	4	40	40	40
Total assets	204	284	320	352	392
Short-term debt	1	1	11	11	11
Accounts payable	40	31	37	42	47
Other current liabilities	0	1	1	1	1
Total current liabilities	42	33	49	54	59
Long-term debt	7	6	4	3	2
Convertible debt					
Other LT liabilities	3	4	4	4	4
Total liabilities	52	43	57	61	64
Minority interest					
Preferred stock					
Common stock	129	202	202	202	202
Retained earnings	60	77	99	127	163
Proposed dividends					
Other equity and reserves	-37	-37	-37	-37	-37
Total shareholders' equity	152	242	263	291	328
Total equity & liabilities	204	284	320	352	392

Liquidity (x)

Current ratio	3.04	5.99	2.34	2.50	2.77
Interest cover	45.6	69.3	38.4	55.0	74.6

Leverage

Net debt/EBITDA (x)	net cash	net cash	0.09	net cash	net cash
Net debt/equity (%)	net cash	net cash	1.7	net cash	net cash

Per share

Reported EPS (MYR)	5.85c	7.74c	4.36c	5.69c	7.05c
Norm EPS (MYR)	6.22c	7.74c	4.36c	5.69c	7.05c
FD norm EPS (MYR)	6.22c	7.74c	4.36c	5.69c	7.05c
BVPS (MYR)	0.49	0.78	0.39	0.43	0.48
DPS (MYR)	0.02	0.02	0.01	0.02	0.02

Activity (days)

Days receivable	32.2	34.8	35.8	34.1	31.7
Days inventory	55.5	54.2	50.7	52.1	52.6
Days payable	76.9	63.2	48.1	46.9	45.7
Cash cycle	10.7	25.8	38.4	39.3	38.6

Source: Company data, Nomura estimates

Fig. 1: Peer valuation summary

	Bloomberg ticker	Crncy	Rating	Fiscal YE	Local price	Mkt Cap (US\$ mn)	PE (x)		EV/EBITDA (x)		Div Yield (%)	
							FY1F	FY2F	FY1F	FY2F	FY1F	FY2F
Malaysian Consumer												
Berjaya Food	BFOOD MK	MYR	NR	4	1.80	168	27.3	22.0	9.7	8.4	1.9	2.3
MYNew s Holding Bhd	MNHB MK	MYR	Buy	10	1.40	238	32.1	24.6	19.5	15.2	0.9	1.1
Carlsberg Malaysia	CAB MK	MYR	NR	12	15.2	1,162	19.8	18.1	13.2	12.5	5.0	5.5
Heineken Malaysia	HEIM MK	MYR	NR	6	19.2	1,443	21.0	19.8	14.3	13.7	4.6	4.9
Nestle Malaysia	NESZ MK	MYR	NR	12	102.0	5,950	36.3	33.5	24.7	22.9	2.7	3.0
Oldtown Berhad	OTB MK	MYR	NR	3	3.09	356	20.5	18.6	11.6	10.5	2.8	3.0
Padini Holdings	PAD MK	MYR	NR	6	5.31	869	18.4	16.3	11.1	9.8	2.4	2.5
QL Resources	QLG MK	MYR	NR	3	4.44	1,792	33.4	29.4	19.2	17.0	0.9	1.0
British American Tobacco	ROTH MK	MYR	NR	12	38.0	2,700	18.7	17.3	14.6	13.6	5.2	5.6
7-Eleven Malaysia	SEM MK	MYR	Reduce	12	1.53	423	37.9	35.0	15.8	14.6	3.1	3.1
Average							26.5	23.4	15.4	13.8	3.0	3.2
Median							24.1	20.9	14.4	13.6	2.7	3.0
Convenience stores												
President Chain Store	2912 TT	TWD	Neutral	12	284.5	10,000	12.3	27.0	15.8	14.5	2.8	6.5
Taiwan FamilyMart	5903 TT	TWD	NR	12	182.0	1,374	28.4	25.3	10.3	9.6	3.0	3.4
MYNew s Holding Bhd	MNHB MK	MYR	Buy	10	1.40	238	32.1	24.6	19.5	15.2	0.9	1.1
CP All	CPALL TB	THB	Buy	12	78.5	21,847	36.8	29.3	22.2	18.9	1.5	1.7
7-Eleven Malaysia	SEM MK	MYR	Reduce	12	1.53	423	37.9	35.0	15.8	14.6	3.1	3.1
Average							29.5	28.2	16.7	14.5	2.3	3.1
Median							32.1	27.0	15.8	14.6	2.8	3.1
Department stores												
Sumber Alfaria	AMRT UJ	IDR	Neutral	12	605	1,869	92.5	62.0	9.5	8.1	0.7	0.3
Dairy Farm International	DFI SP	SGD	NR	12	7.90	10,684	21.5	19.4	16.1	14.7	2.9	3.2
Matahari Department Store	LPPF UJ	IDR	Neutral	12	10,950	2,377	16.5	14.8	11.0	9.6	4.4	4.2
Siam Makro	MAKRO TB	THB	NR	12	38.3	5,688	30.4	27.6	19.1	17.6	2.4	2.7
Mitra Adiperkasa	MAPI UJ	IDR	Buy	12	6,250	772	27.7	19.4	8.0	6.8	0.4	0.7
Ramayana	RALS UJ	IDR	Neutral	12	1,070	565	17.5	16.1	9.7	8.7	3.4	3.4
Robinson Department Store	ROBINS TB	THB	Reduce	12	76.0	2,615	30.5	26.3	15.5	13.8	1.6	1.9
Average							33.8	26.5	12.7	11.3	2.3	2.4
Median							27.7	19.4	11.0	9.6	2.4	2.7

Source: Bloomberg, Nomura estimates

Fig. 2: RTE outfit at MYNews – Mid Valley



Source: Company, Nomura

Fig. 3: RTE outfit at MYNews – Plaza Sentral



Source: Company, Nomura

Fig. 4: RTE outfit at MYNews – Mitsui



Source: Company, Nomura

Fig. 5: RTE outfit at MYNews – Residence Rimbunan



Source: Company, Nomura

Appendix A-1

Analyst Certification

I, Guo Hao Yong, hereby certify (1) that the views expressed in this Research report accurately reflect my personal views about any or all of the subject securities or issuers referred to in this Research report, (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this Research report and (3) no part of my compensation is tied to any specific investment banking transactions performed by Nomura Securities International, Inc., Nomura International plc or any other Nomura Group company.

Issuer Specific Regulatory Disclosures

The terms "Nomura" and "Nomura Group" used herein refers to Nomura Holdings, Inc. and its affiliates and subsidiaries, including Nomura Securities International, Inc. ('NSI') and Instinet, LLC('ILLC'), U. S. registered broker dealers and members of SIPC.

Materially mentioned issuers

Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
MYNEWS Holdings Berhad	MNHB MK	MYR 1.43	02-Jan-2018	Buy	N/A	A4,A5,A6,A7

A4 The Nomura Group has had an investment banking services client relationship with the subject company during the past 12 months.

A5 The Nomura Group has received compensation for investment banking services from the subject company in the past 12 months.

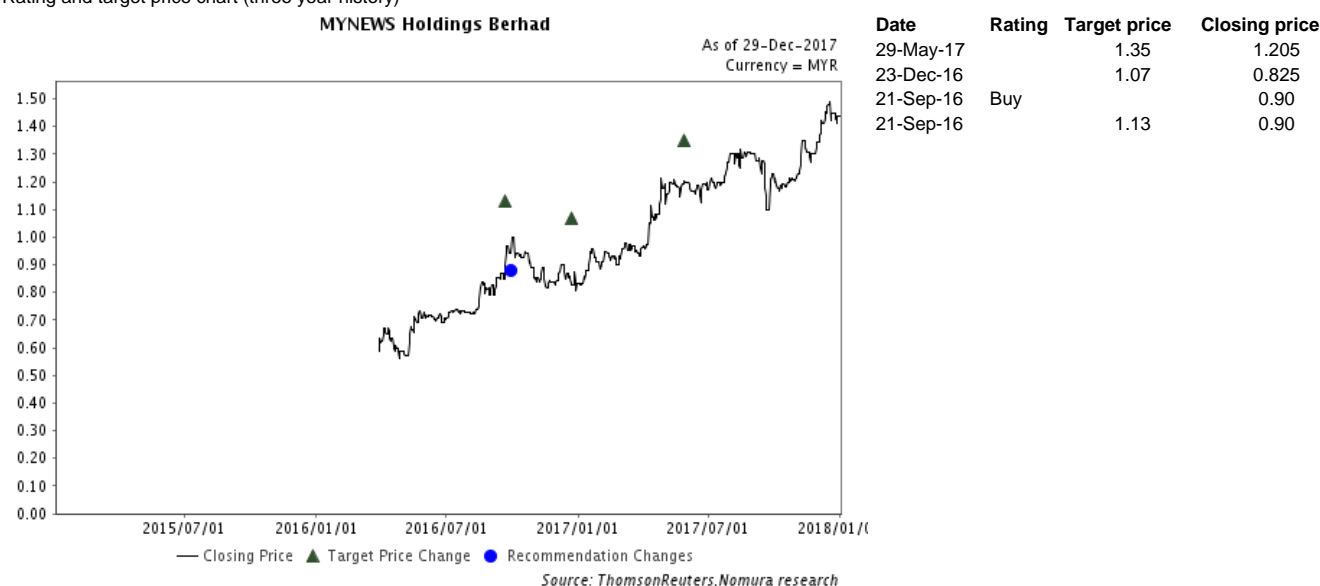
A6 The Nomura Group expects to receive or intends to seek compensation for investment banking services from the subject company in the next three months.

A7 The Nomura Group has managed or co-managed a public or private offering of the subject company's securities in the past 12 months.

MYNEWS Holdings Berhad (MNHB MK)

MYR 1.43 (02-Jan-2018) Buy (Sector rating: N/A)

Rating and target price chart (three year history)



For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our TP of MYR1.65 based on 29x FY19F P/E on the forecasted EPS of 5.7sen. The benchmark index for this stock is MSCI Malaysia.

Risks that may impede the achievement of the target price 1) inability to secure optimal outlet locations; 2) negative changes to tenancy rules; and 3) negative consumer sentiment in Malaysia.

Important Disclosures

Online availability of research and conflict-of-interest disclosures

Nomura Group research is available on www.nomuranow.com/research, Bloomberg, Capital IQ, Factset, Reuters and ThomsonOne.

Important disclosures may be read at <http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx> or requested from Nomura Securities International, Inc., or Instinet, LLC on 1-877-865-5752. If you have any difficulties with the website, please email grpsupport@nomura.com for help.

The analysts responsible for preparing this report have received compensation based upon various factors including the firm's total revenues, a portion of which is generated by Investment Banking activities. Unless otherwise noted, the non-US analysts listed at the front of this report are not registered/qualified as research analysts under FINRA rules, may not be associated persons of NSI or ILLC, and may not be subject to FINRA Rule 2241 restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

Nomura Global Financial Products Inc. ("NGFP") Nomura Derivative Products Inc. ("NDPI") and Nomura International plc. ("Nlplc") are registered with the Commodities Futures Trading Commission and the National Futures Association (NFA) as swap dealers. NGFP, NDPI, and Nlplc are generally engaged in the trading of swaps and other derivative products, any of which may be the subject of this report.

Distribution of ratings (Nomura Group)

The distribution of all ratings published by Nomura Group Global Equity Research is as follows:

50% have been assigned a Buy rating which, for purposes of mandatory disclosures, are classified as a Buy rating; 42% of companies with this rating are investment banking clients of the Nomura Group*. 0% of companies (which are admitted to trading on a regulated market in the EEA) with this rating were supplied material services** by the Nomura Group.

43% have been assigned a Neutral rating which, for purposes of mandatory disclosures, is classified as a Hold rating; 51% of companies with this rating are investment banking clients of the Nomura Group*. 0% of companies (which are admitted to trading on a regulated market in the EEA) with this rating were supplied material services by the Nomura Group

7% have been assigned a Reduce rating which, for purposes of mandatory disclosures, are classified as a Sell rating; 7% of companies with this rating are investment banking clients of the Nomura Group*. 0% of companies (which are admitted to trading on a regulated market in the EEA) with this rating were supplied material services by the Nomura Group.

As at 31 December 2017.

*The Nomura Group as defined in the Disclaimer section at the end of this report.

** As defined by the EU Market Abuse Regulation

Distribution of ratings (Instinet, LLC)

The distribution of all ratings published by Instinet, LLC Equity Research is as follows:

55% have been assigned a Buy rating which, for purposes of mandatory disclosures, are classified as a Buy rating; Instinet LLC has provided investment banking services to 0% of companies with this rating within the previous 12 months.

41% have been assigned a Neutral rating which, for purposes of mandatory disclosures, is classified as a Hold rating; Instinet LLC has provided investment banking services to 0% of companies with this rating within the previous 12 months.

4% have been assigned a Reduce rating which, for purposes of mandatory disclosures, are classified as a Sell rating; Instinet LLC has provided investment banking services to 0% of companies with this rating within the previous 12 months.

Definition of Nomura Group's equity research rating system and sectors

The rating system is a relative system, indicating expected performance against a specific benchmark identified for each individual stock, subject to limited management discretion. An analyst's target price is an assessment of the current intrinsic fair value of the stock based on an appropriate valuation methodology determined by the analyst. Valuation methodologies include, but are not limited to, discounted cash flow analysis, expected return on equity and multiple analysis. Analysts may also indicate expected absolute upside/downside relative to the stated target price, defined as (target price - current price)/current price.

STOCKS

A rating of **'Buy'**, indicates that the analyst expects the stock to outperform the Benchmark over the next 12 months. A rating of **'Neutral'**, indicates that the analyst expects the stock to perform in line with the Benchmark over the next 12 months. A rating of **'Reduce'**, indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months. A rating of **'Suspended'**, indicates that the rating, target price and estimates have been suspended temporarily to comply with applicable regulations and/or firm policies. Securities and/or companies that are labelled as **'Not rated'** or shown as **'No rating'** are not in regular research coverage. Investors should not expect continuing or additional information from Nomura relating to such securities and/or companies. Benchmarks are as follows: **United States/Europe/Asia ex-Japan**: please see valuation methodologies for explanations of relevant benchmarks for stocks, which can be accessed at: <http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx>; **Global Emerging Markets (ex-Asia)**: MSCI Emerging Markets ex-Asia, unless otherwise stated in the valuation methodology; **Japan**: Russell/Nomura Large Cap.

SECTORS

A **'Bullish'** stance, indicates that the analyst expects the sector to outperform the Benchmark during the next 12 months. A **'Neutral'** stance, indicates that the analyst expects the sector to perform in line with the Benchmark during the next 12 months. A **'Bearish'** stance, indicates that the analyst expects the sector to underperform the Benchmark during the next 12 months. Sectors that are labelled as **'Not rated'** or shown as **'N/A'** are not assigned ratings. Benchmarks are as follows: **United States**: S&P 500; **Europe**: Dow Jones STOXX 600; **Global Emerging Markets (ex-Asia)**: MSCI Emerging Markets ex-Asia. **Japan/Asia ex-Japan**: Sector ratings are not assigned.

Target Price

A Target Price, if discussed, indicates the analyst's forecast for the share price with a 12-month time horizon, reflecting in part the analyst's estimates for the company's earnings. The achievement of any target price may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings differ from estimates.

Disclaimers

This publication contains material that has been prepared by the Nomura Group entity identified on page 1 and, if applicable, with the contributions of one or more Nomura Group entities whose employees and their respective affiliations are specified on page 1 or identified

elsewhere in the publication. The term "Nomura Group" used herein refers to Nomura Holdings, Inc. and its affiliates and subsidiaries including: Nomura Securities Co., Ltd. ('NSC') Tokyo, Japan; Nomura International plc ('Nlplc'), UK; Nomura Securities International, Inc. ('NSI'), New York, US; Instinet, LLC ('ILLC'); Nomura International (Hong Kong) Ltd. ('NIHK'), Hong Kong; Nomura Financial Investment (Korea) Co., Ltd. ('NFIK'), Korea (Information on Nomura analysts registered with the Korea Financial Investment Association ('KOFIA') can be found on the KOFIA Intranet at <http://dis.kofia.or.kr>); Nomura Singapore Ltd. ('NSL'), Singapore (Registration number 197201440E, regulated by the Monetary Authority of Singapore); Nomura Australia Ltd. ('NAL'), Australia (ABN 48 003 032 513), regulated by the Australian Securities and Investment Commission ('ASIC') and holder of an Australian financial services licence number 246412; PT Nomura Sekuritas Indonesia ('PTNSI'); Nomura Securities Malaysia Sdn. Bhd. ('NSM'), Malaysia; NIHK, Taipei Branch ('NITB'), Taiwan; Nomura Financial Advisory and Securities (India) Private Limited ('NFASL'), Mumbai, India (Registered Address: Ceejay House, Level 11, Plot F, Shivsagar Estate, Dr. Annie Besant Road, Worli, Mumbai- 400 018, India; Tel: +91 22 4037 4037, Fax: +91 22 4037 4111; CIN No: U74140MH2007PTC169116, SEBI Registration No. for Stock Broking activities : BSE INB011299030, NSE INB231299034, INF231299034, ISE 231299034, MCX: INE261299034; SEBI Registration No. for Merchant Banking : INM000011419; SEBI Registration No. for Research: INH000001014 and Nlplc, Madrid Branch ('Nlplc, Madrid')). 'CNS Thailand' next to an analyst's name on the front page of a research report indicates that the analyst is employed by Capital Nomura Securities Public Company Limited ('CNS') to provide research assistance services to NSL under an agreement between CNS and NSL. 'NSFSPL' next to an employee's name on the front page of a research report indicates that the individual is employed by Nomura Structured Finance Services Private Limited to provide assistance to certain Nomura entities under inter-company agreements. The "BDO-NS" (which stands for "BDO Nomura Securities, Inc.") placed next to an analyst's name on the front page of a research report indicates that the analyst is employed by BDO Unibank Inc. ("BDO Unibank") who has been seconded to BDO-NS, to provide research assistance services to NSL under an agreement between BDO Unibank, NSL and BDO-NS. BDO-NS is a Philippines securities dealer, which is a joint venture between BDO Unibank and the Nomura Group.

THIS MATERIAL IS: (I) FOR YOUR PRIVATE INFORMATION, AND WE ARE NOT SOLICITING ANY ACTION BASED UPON IT; (II) NOT TO BE CONSTRUED AS AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITY IN ANY JURISDICTION WHERE SUCH OFFER OR SOLICITATION WOULD BE ILLEGAL; AND (III) OTHER THAN DISCLOSURES RELATING TO THE NOMURA GROUP, BASED UPON INFORMATION FROM SOURCES THAT WE CONSIDER RELIABLE, BUT HAS NOT BEEN INDEPENDENTLY VERIFIED BY NOMURA GROUP.

Other than disclosures relating to the Nomura Group, the Nomura Group does not warrant or represent that the document is accurate, complete, reliable, fit for any particular purpose or merchantable and does not accept liability for any act (or decision not to act) resulting from use of this document and related data. To the maximum extent permissible all warranties and other assurances by the Nomura Group are hereby excluded and the Nomura Group shall have no liability for the use, misuse, or distribution of this information.

Opinions or estimates expressed are current opinions as of the original publication date appearing on this material and the information, including the opinions and estimates contained herein, are subject to change without notice. The Nomura Group is under no duty to update this document. Any comments or statements made herein are those of the author(s) and may differ from views held by other parties within Nomura Group. Clients should consider whether any advice or recommendation in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The Nomura Group does not provide tax advice.

The Nomura Group, and/or its officers, directors and employees, may, to the extent permitted by applicable law and/or regulation, deal as principal, agent, or otherwise, or have long or short positions in, or buy or sell, the securities, commodities or instruments, or options or other derivative instruments based thereon, of issuers or securities mentioned herein. The Nomura Group companies may also act as market maker or liquidity provider (within the meaning of applicable regulations in the UK) in the financial instruments of the issuer. Where the activity of market maker is carried out in accordance with the definition given to it by specific laws and regulations of the US or other jurisdictions, this will be separately disclosed within the specific issuer disclosures.

This document may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor's. Reproduction and distribution of third-party content in any form is prohibited except with the prior written permission of the related third-party. Third-party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third-party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third-party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content, including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

Any MSCI sourced information in this document is the exclusive property of MSCI Inc. ('MSCI'). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be reproduced, re-disseminated or used to create any financial products, including any indices. This information is provided on an "as is" basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. MSCI and the MSCI indexes are services marks of MSCI and its affiliates.

The intellectual property rights and any other rights, in Russell/Nomura Japan Equity Index belong to Nomura Securities Co., Ltd. ("Nomura") and Frank Russell Company ("Russell"). Nomura and Russell do not guarantee accuracy, completeness, reliability, usefulness, marketability, merchantability or fitness of the Index, and do not account for business activities or services that any index user and/or its affiliates undertakes with the use of the Index.

Investors should consider this document as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. Nomura Group produces a number of different types of research product including, among others, fundamental analysis and quantitative analysis; recommendations contained in one type of research product may differ from recommendations contained in other types of research product, whether as a result of differing time horizons, methodologies or otherwise. The Nomura Group publishes research product in a number of different ways including the posting of product on the Nomura Group portals and/or distribution directly to clients. Different groups of clients may receive different products and services from the research department depending on their individual requirements.

Figures presented herein may refer to past performance or simulations based on past performance which are not reliable indicators of future performance. Where the information contains an indication of future performance, such forecasts may not be a reliable indicator of future performance. Moreover, simulations are based on models and simplifying assumptions which may oversimplify and not reflect the future distribution of returns.

Certain securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of, or income derived from, the investment.

With respect to Fixed Income Research: Recommendations fall into two categories: tactical, which typically last up to three months; or strategic, which typically last from 6-12 months. However, trade recommendations may be reviewed at any time as circumstances change. 'Stop loss'

levels for trades are also provided; which, if hit, closes the trade recommendation automatically. Prices and yields shown in recommendations are taken at the time of submission for publication and are based on either indicative Bloomberg, Reuters or Nomura prices and yields at that time. The prices and yields shown are not necessarily those at which the trade recommendation can be implemented.

The securities described herein may not have been registered under the US Securities Act of 1933 (the '1933 Act'), and, in such case, may not be offered or sold in the US or to US persons unless they have been registered under the 1933 Act, or except in compliance with an exemption from the registration requirements of the 1933 Act. Unless governing law permits otherwise, any transaction should be executed via a Nomura entity in your home jurisdiction.

This document has been approved for distribution in the UK and European Economic Area as investment research by Nlplc. Nlplc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Nlplc is a member of the London Stock Exchange. This document does not constitute a personal recommendation within the meaning of applicable regulations in the UK, or take into account the particular investment objectives, financial situations, or needs of individual investors. This document is intended only for investors who are 'eligible counterparties' or 'professional clients' for the purposes of applicable regulations in the UK, and may not, therefore, be redistributed to persons who are 'retail clients' for such purposes. This document has been approved by NIHK, which is regulated by the Hong Kong Securities and Futures Commission, for distribution in Hong Kong by NIHK. This document has been approved for distribution in Australia by NAL, which is authorized and regulated in Australia by the ASIC. This document has also been approved for distribution in Malaysia by NSM. In Singapore, this document has been distributed by NSL. NSL accepts legal responsibility for the content of this document, where it concerns securities, futures and foreign exchange, issued by their foreign affiliates in respect of recipients who are not accredited, expert or institutional investors as defined by the Securities and Futures Act (Chapter 289). Recipients of this document in Singapore should contact NSL in respect of matters arising from, or in connection with, this document. Unless prohibited by the provisions of Regulation S of the 1933 Act, this material is distributed in the US, by NSI, a US-registered broker-dealer, which accepts responsibility for its contents in accordance with the provisions of Rule 15a-6, under the US Securities Exchange Act of 1934. The entity that prepared this document permits its separately operated affiliates within the Nomura Group to make copies of such documents available to their clients.

This document has not been approved for distribution to persons other than 'Authorised Persons', 'Exempt Persons' or 'Institutions' (as defined by the Capital Markets Authority) in the Kingdom of Saudi Arabia ('Saudi Arabia') or 'professional clients' (as defined by the Dubai Financial Services Authority) in the United Arab Emirates ('UAE') or a 'Market Counterparty' or 'Business Customers' (as defined by the Qatar Financial Centre Regulatory Authority) in the State of Qatar ('Qatar') by Nomura Saudi Arabia, Nlplc or any other member of the Nomura Group, as the case may be. Neither this document nor any copy thereof may be taken or transmitted or distributed, directly or indirectly, by any person other than those authorised to do so into Saudi Arabia or in the UAE or in Qatar or to any person other than 'Authorised Persons', 'Exempt Persons' or 'Institutions' located in Saudi Arabia or 'professional clients' in the UAE or a 'Market Counterparty' or 'Business Customers' in Qatar. By accepting to receive this document, you represent that you are not located in Saudi Arabia or that you are an 'Authorised Person', an 'Exempt Person' or an 'Institution' in Saudi Arabia or that you are a 'professional client' in the UAE or a 'Market Counterparty' or 'Business Customers' in Qatar and agree to comply with these restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of the UAE or Saudi Arabia or Qatar.

Notice to Canadian Investors: This research report is not a personal recommendation and does not take into account the investment objectives, financial situation or particular needs of any particular individual or account. It is made available to you in reliance on NI 31-103, section 8.25.

For report with reference of TAIWAN public companies or authored by Taiwan based research analyst:

THIS DOCUMENT IS SOLELY FOR REFERENCE ONLY. You should independently evaluate the investment risks and are solely responsible for your investment decisions. NO PORTION OF THE REPORT MAY BE REPRODUCED OR QUOTED BY THE PRESS OR ANY OTHER PERSON WITHOUT WRITTEN AUTHORIZATION FROM NOMURA GROUP. Pursuant to Operational Regulations Governing Securities Firms Recommending Trades in Securities to Customers and/or other applicable laws or regulations in Taiwan, you are prohibited to provide the reports to others (including but not limited to related parties, affiliated companies and any other third parties) or engage in any activities in connection with the reports which may involve conflicts of interests. INFORMATION ON SECURITIES / INSTRUMENTS NOT EXECUTABLE BY NOMURA INTERNATIONAL (HONG KONG) LTD., TAIPEI BRANCH IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT BE CONSTRUED AS A RECOMMENDATION OR A SOLICITATION TO TRADE IN SUCH SECURITIES / INSTRUMENTS.

NO PART OF THIS MATERIAL MAY BE (I) COPIED, PHOTOCOPIED, OR DUPLICATED IN ANY FORM, BY ANY MEANS; OR (II) REDISTRIBUTED WITHOUT THE PRIOR WRITTEN CONSENT OF A MEMBER OF THE NOMURA GROUP. If this document has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this document, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

The Nomura Group manages conflicts with respect to the production of research through its compliance policies and procedures (including, but not limited to, Conflicts of Interest, Chinese Wall and Confidentiality policies) as well as through the maintenance of Chinese Walls and employee training.

Additional information regarding the methodologies or models used in the production of any investment recommendations contained within this document is available upon request by contacting the Research Analysts listed on the front page. Disclosures information is available upon request and disclosure information is available at the Nomura Disclosure web

page: <http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx>

Copyright © 2018 Nomura International (Hong Kong) Ltd. All rights reserved.