Myanmar
All that matters

Beware of gushing optimism

24 January 2013

1 USD = 858.5 MMK

Most research reports on Myanmar are either outright gushing about the investment opportunities or say something slightly more nuanced like "lots of opportunities but challenges lie ahead."

We are certainly closer to the second camp, but in this report, we wanted to offer more than just the obvious hedges. We wanted to present some of the concrete issues and challenges that a real prospective investor into Myanmar will want to consider before committing capital.

In our **first article**, we highlight what we think are the most important economic guideposts an investor should pay attention to such as inflation risks, the pace of infrastructure development and how or when bank credit will eventually flow locally and from abroad. We have left it to the IMF and others to tell you that they forecast +/- 6% GDP growth.

Our **second article** is on the risks investors face to investment returns, particularly in the real estate sector. Our purpose is not to discourage investment in that area but to simply highlight that just because Myanmar has lots of need doesn't mean that generating 20%+ equity IRRs will be easy. Headwinds like rapidly expanding competition, high land prices, likely construction delays and a lack of bank credit could all eat into returns.

Finally, we have included a section that lists out some of the **public equity exposure to Myanmar**. This is just to give one a flavor and will certainly expand over time. To date, we have not done any meaningful due diligence on the particular names, and our listing of them should not be seen as an endorsement or recommendation to purchase.

Please enjoy the report and feel free to give us any **feedback**. We are also looking for guest contributors who have a particular expertise that they may want to share with our readership. Our plan is to publish this report on a monthly basis going forward with intermittent updates of significant news items that impact our investment thesis for the country.

Please **contact us** if you would like to inquire about conducting a bespoke analysis. We are also able to facilitate trips on-the-ground to visit some of our key contacts in Myanmar.

Kind regards,

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&

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About NCRA

Who we are

- NCRA is a boutique financial consultancy with a focus on Myanmar and the ASEAN block of nations.
- Our primary value propositions are two-fold. Firstly, we consult domestic companies on how to access global capital markets. Secondly, we assist the global investment community on sourcing and accessing the most attractive investment opportunities in these markets.

Our presence

- With our head office in Singapore and a proposed branch office in Yangon, Myanmar, we are geographically positioned to help our clients take advantage of the tremendous growth opportunities in the region.
- Our CEO Billy Selig has been residing in Myanmar for the past year. This has enabled us to establish ourselves as one of the first teams of experienced international capital market professionals with a presence in Myanmar, as well as to develop an understanding of the local market through our network within the Burmese business and political community.

Economic guideposts for the investor

By Keith Neruda, CFA (keithneruda@newcrossroadsasia.com)

Minimal data available

Qualitative analysis as, for now, data remains unreliable

First of all, we are not focused much on the "data." There are not enough details in the numbers that are published, and they are probably not reliable. Eventually, this will improve, but for now, we will have to analyze the economy in a more qualitative manner.

Our data updated through November

What little data there is we have interspersed in this article where relevant, and we have also included a few additional charts at the end. Most of it is updated through November except the Central Bank of Myanmar (CBM) data, which only goes to July.

Even GDP growth numbers aren't very informative

More concerned with growth of specific segments, not GDP

While the growth of the economy certainly matters, we are more concerned with where there are specific segments of growth that offer the best investment opportunities. For better or worse, Myanmar's economy's largest component is the production of petroleum.

Natural gas production fluctuations will cause outsized impact to GDP figure

That means changes in natural gas production, for example, will have an outsized impact on official GDP that won't necessarily inform us about what's happening overall in areas like the growth of disposable income.

Banking system reforms are crucial

Banking system still cause for concern

We are extremely concerned about the development of the banking system. Some of the major issues and questions facing Myanmar's policy makers and others include:

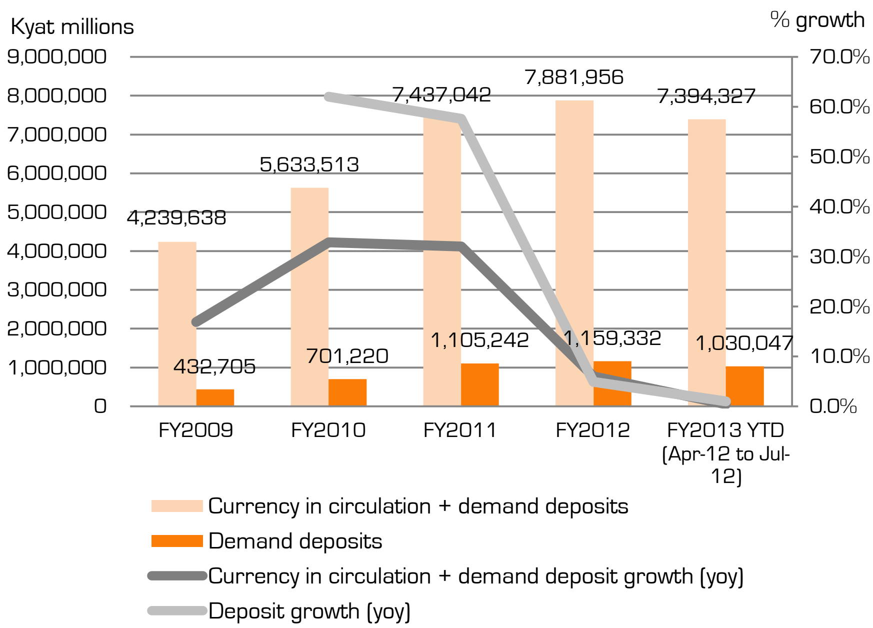
- **Will the CBM get independence?** Currently, the CBM is under the Ministry of Finance and Revenue. Legislation is being considered that might give it greater independence although there are limits to how much the CBM will be able to operate on its own in the way that we typically think central banks should act given human resource constraints.

Human resource constraints limit the scope for CBM's independence

- **What can we expect for interest rate management?** The CBM now sets the official bank deposit and lending rates although there is also a substantial grey market. The latest change in January 2012 brought deposit rates down to 8-10% and lending rates to 13%. The deposit rates, in particular, are arguably too low, as we can see in Figure 1 that banks are not exactly brimming with deposit growth.

Jan 2012's deposit rate reduction had little effect on deposit growth

Figure 1: Myanmar money supply and deposits



Source: Central Bank of Myanmar

- **Will collateral rules change, especially as they relate to future agricultural products?** A major reason that banking lending is so tepid in Myanmar is that collateral rules are quite strict and require landed property be put up. This is a problem that is frequently cited with respect to agriculture as it means that farmers cannot borrow working capital and pledge their future crops. As a result, most rely on the grey market for funding.

Rules surrounding lending collateral are overly strict

- **How much more confidence will foreign banks need to get more seriously involved in joint ventures?** Foreign banks are allowed to form joint-ventures with local banks but have yet to rush into them. We also have yet to see much foreign bank support for projects in Myanmar given concerns over land title among others.

Land title concerns have hindered foreign banks forming JV's in Myanmar

We expect a fair amount of progress on these fronts although we should note that Myanmar's financial system is coming from a very low base. It is also fighting the institutional memory of the losses suffered by depositors in a number of private banks in 2003.

Banking system coming from a very low base

Nevertheless, the development of Myanmar's banking system will be critical to the country's ability to facilitate the efficient allocation of resources toward income-generating projects, facilitate money flow and business transactions, as well as to ultimately attract FDI.

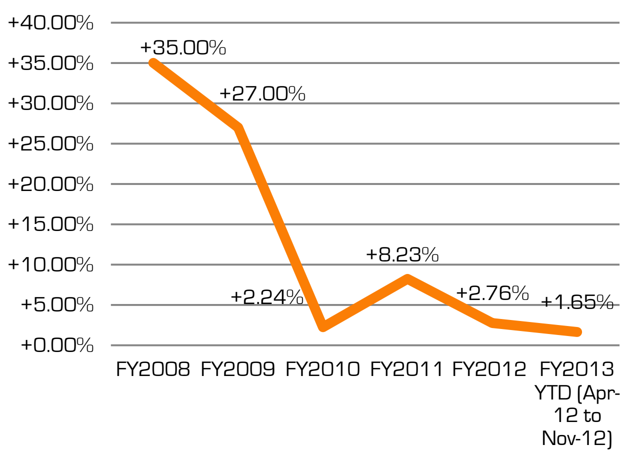
Development of banking system is crucial to attract FDI

Inflation could return as a problem

We are also worried that inflation could become a problem. Historically, Myanmar's inflation has been high, in part because of the policy to monetize fiscal deficits.

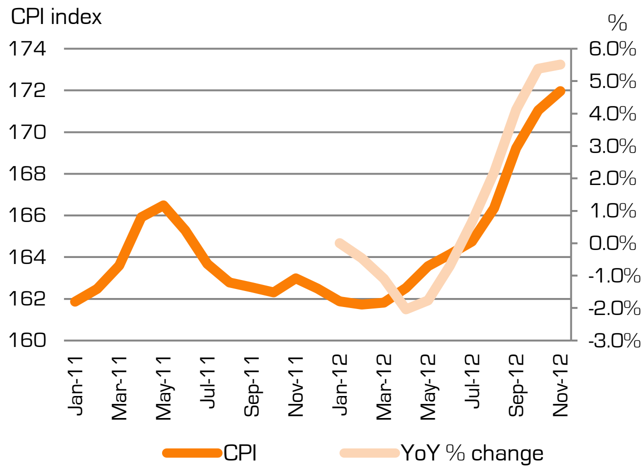
Inflation is a potential problem

Figure 2: Myanmar annual inflation



Source: Central Statistical Organization, EIU

Figure 3: Myanmar CPI and monthly YoY% change

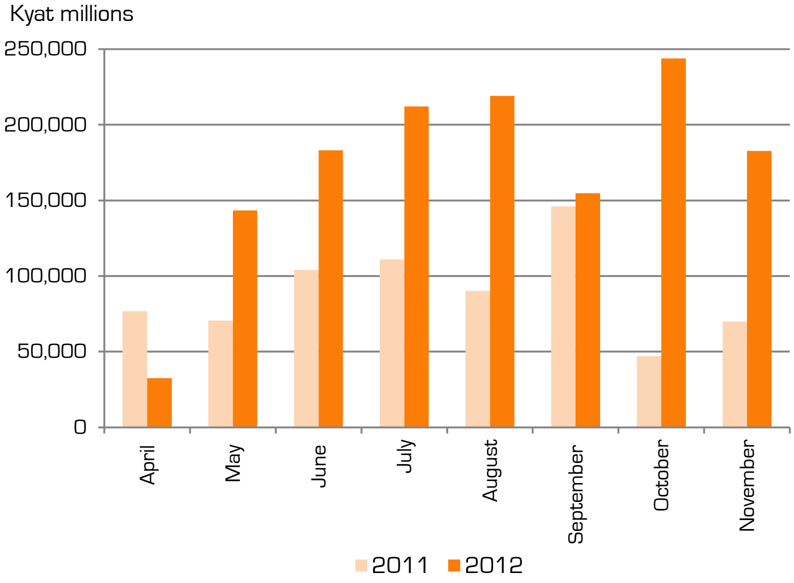


Source: Central Statistical Organization

Since deficit monetization is a major source of money printing and inflation, one of the ways in which we can anticipate inflation is to see how well the government is doing in expanding its tax base and bringing in more revenues. As Figure 4 shows, the current fiscal year's tax receipts April to November YTD are up 91% YoY, which is good news and may help explain in part why the official inflation rate is only +1.7% YTD this financial year. The increase in tax receipts is at least in part because of the unification of the exchange rate that went into effect last April 1st, the start of the current fiscal year.

Tax base is increasing and helping to supress inflation

Figure 1: Myanmar government tax receipts



Source: Myanmar Inland Revenue Department

How much the government spends on expanding infrastructure and social programs will also make a difference. We don't have current numbers for expenditures, but we expect them to increase substantially.

Gov spending on infrastructure and social programmes could increase inflation

Finally, about half of the fiscal deficit is currently funded by 2, 3 and 5 year bonds. Expanding the investor base for these bonds would also lead to less deficit monetization, which is part of the reason that deposit rates were lowered to below the rates offered on these government debts, which currently range from 8.8% to 9.5%.

Encouraging more investors to buy government bonds would mean the central bank would not need to monetize the deficit

Besides deficit monetization, an eventual credit boom could also lead to higher inflation. People have recently become obsessed with central bank money printing in the form of quantitative easing. However, most money creation is the result of fractional reserve banking that allows banks to create money by simply issuing a loan and depositing the new funds into a deposit account.

A credit boom would have a negative impact on inflation in Myanmar

We are today nowhere near a credit bubble in Myanmar, but it would be negligent not to expect one at some point.

However, a credit boom is seemingly far away

FDI surge dependent on foreign banks

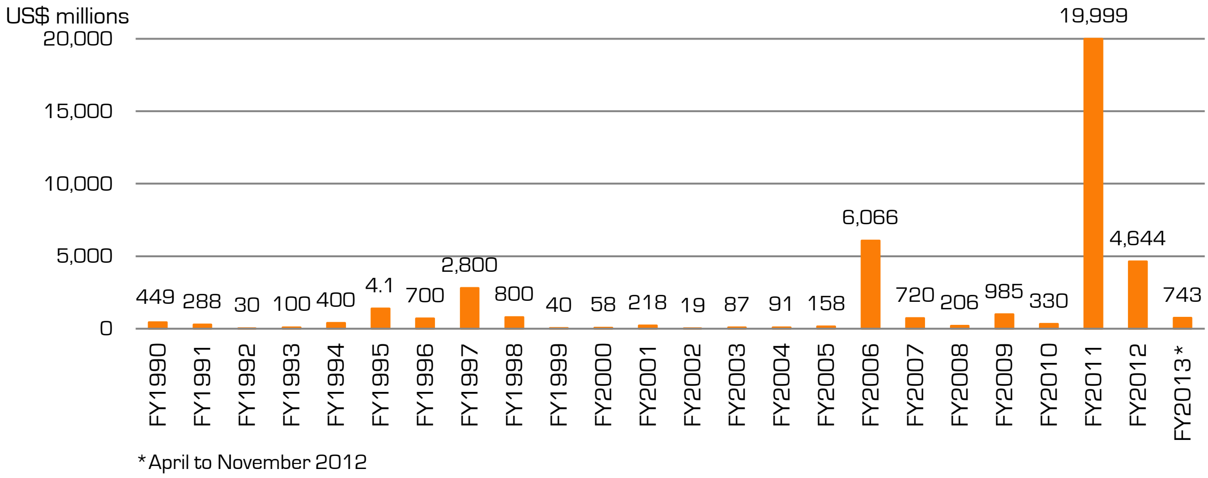
In terms of FDI, we are paying particular attention to the attitude of foreign banks. Foreign banks right now are reluctant to lend money for projects in Myanmar, in part because of unclear land title and the ability to take over collateral in the event a project fails. The importance of foreign banks' support is even greater in larger projects that will require significant supplementary funding outside of companies' existing balance sheets. A clear example of this has been the failure by Italian Thai Development so far to raise the US$6bn required to complete the first phase of the Dawei US$50bn development project. Eventually, whether or not Dawei ultimately comes to fruition, we expect laws to change that will give foreign banks greater comfort, and when that happens, it should create a major boost in FDI.

Foreign banks are reluctant to lend for Myanmar projects due to lack of clarity in the investment laws and land rights

In the meantime, it would not surprise us to see governments take a more active role in providing funding for projects via government controlled banks if they view them as strategic. It has been reported for instance, that Italian Thai Development has been in talks to secure loans from the Japan Bank for International Cooperation and the Japan International Cooperation Agency. We are also likely to see no clear patterns in the FDI as Figure 5 shows below. Because there are so few large projects, those that are funded cause huge spikes in the data.

It is likely that foreign government controlled banks will provide loans, if the project is deemed strategic

Figure 5: Myanmar Foreign Direct Investment



Source: DICA

Lack of infrastructure poses a major economic threat to growth

Finally, the elephant in the room when it comes to Myanmar's economy is the lack of infrastructure and what kind of bottlenecks that will create for development. Most importantly, there is not nearly enough electricity. Factories must endure blackouts and will often have their own generators. Until this improves, this will discourage new factories from relocating to Myanmar despite lower wages.

Lack of basic infrastructure, notably electricity, hinders factories from relocating to Myanmar

Moreover, much of what exists is hydropower, which is not able to produce electricity consistently throughout the year. Considering how much natural gas Myanmar produces and the relative speed at which combined cycle power plants can be built, we would be encouraged to see announcements for a wave of such projects.

Natural gas is abundant and power plants can be built relatively quickly; a logical way forward

However, that may be easier said than done as gas pipelines and electricity transmission cables also need to be considered.

Gas pipelines and electricity pipelines must be considered

In addition, Myanmar’s existing commitment to sell much of its natural gas to its neighbors further complicates its electricity dilemma. At the moment, 1 billion cfpd (80% of Myanmar’s natural gas production) is exported to Thailand in accordance with a contract that expires in June 2040. When the Sino-Burmese gas pipeline comes online this year, production will be ramped up and 500 million cfpd will be exported to China. Myanmar has indicated that it wants to renegotiate its contracts with Thailand, and hopes to retain 200 million cfpd of the 1 billion cfpd for its own use. So far this remains to be played out.

Myanmar is under contract to export the vast majority of its gas but hopes to renegotiate

Roads and telecommunication networks are also in dire need of expansion if Myanmar's economy is going to develop to its potential.

Roads and telco networks are in dire need of development

Conclusion: no shortage of investments needed

Before making an investment, strongly consider how the infrastructure needs and the financing environment

Our conclusion is that there are a lot of opportunities to invest in Myanmar as so much is needed, and this will certainly lead to above average GDP growth for the foreseeable future. However, for investors looking at particular projects, we advise paying particular attention to how well the infrastructure needs are going to be met and whether or not the financing environment is conducive to make the numbers work. Both of these could have a direct impact on a project's success.

High demand not enough to ensure high IRRs

By Keith Neruda, CFA (keithneruda@newcrossroadsasia.com)

Many factors to consider when calculating the IRR

Before pulling the trigger on an investment, one of the key considerations is going to be the expected return or IRR. In this article, we outline a few considerations that at the moment may make it difficult to get the kind of returns you might expect or demand from an investment in Myanmar. This does not mean that high return projects are impossible to find. It just means that there are some factors that are currently working against it.

Project financing will directly affect the IRR

Put simply, a project's IRR is a function of how much it costs, how much is taken out and how long it takes. How a project is financed will also play a role in the division of returns between equity and debt holders. We will look at all four of these here.

Revenue outlook is largely positive but some caution is warranted

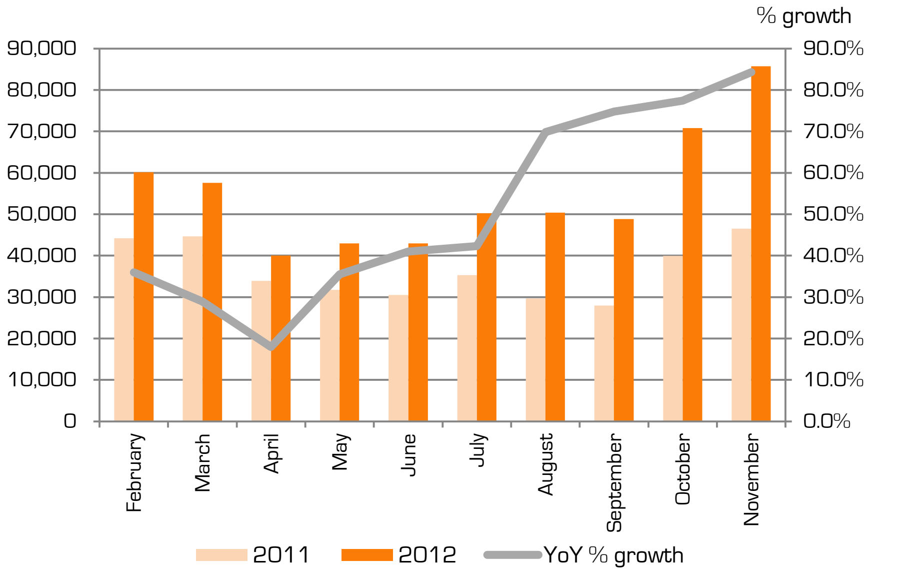
Due to severe under supply, Yangon property seems an attractive investment

Let's start by considering a sector that on the surface should be able to generate the most attractive returns, namely Yangon property. We picked that because it is painfully obvious that there is a severe under supply at the moment of office space and hotel rooms.

Foreign arrivals in Yangon is up 51% YoY

We can see why when we look at foreign arrival numbers published by the government. From February through November (January data was missing!), foreign arrivals were up 51% YoY. This likely reflects both tourism and a huge inflow of foreign businesspeople looking to set up offices and/or explore investment opportunities.

Figure 6: Myanmar visitor arrivals



Source: Immigration and National Registration Department

In fact, the supply of hotel rooms is so low that prices rose to a point that the government imposed a maximum US$250/night rate. While this has made the under supply of hotel rooms worse, it has helped those tourists and businessmen who are able to get a room at all.

Hotels rooms had to be capped due to undersupply, leading extremely expensive rates

The upward price pressure on hotel rooms is a clear positive for returns, but the sustainability of those rates is by no means guaranteed. There will be a number of new projects launched that will drive up supply of all facets of the property market.

High prices are not sustainable as investors rush to bridge the supply-demand gap

In fact, the largest official inflow of FDI for the current fiscal year in the amount of US$300m was from a Vietnamese company that is developing a site that will include a five-star hotel, a mall and office space.

Largest inflow of FDI was US$300m for a hotel, mall and office space

While it is clear that this and other projects like it should find happy customers, investors should be conservative in the kind of prices that they assume will be realized in 3 to 5 years when much of the supply is scheduled to come onto the market. It would probably be a mistake to assume that US$250/night or better rates are sustained.

US$250/night will not be realistic in 3-5 years time

Project costs are high

Arguably, it is too early to worry about an eventual oversupply other than to take a conservative view on sale/rental prices. However, it is not too early to worry about the high price of land. Rules related to land title are opaque to say the least although these will hopefully gain some clarity in an upcoming piece of legislation called the Condominium Act.

Rules relating to land title are opaque

Title issues aside, land prices have risen to a level that threaten the return profile of new projects, especially if we are conservative about how easily those costs will be passed onto future buyers or renters of the property development.

Land prices are high – threatening returns

Moreover, as a foreign investor who is likely to enter into a property development project with a local partner, one should expect that the local partner will take advantage of the situation by taking the money upfront for the land to be injected into the project. This is the structure announced for Yoma's new project, which is described as a "Landmark Development." If shareholders approve, Yoma will launch a rights issue to buy 80% of the SPV that owns the land rights for cash from Yoma's owner.

Likely the local partner will take the money upfront for the land to be injected into the project

There is nothing wrong with this structure, and it happens everywhere. However, it does mean that deals structured in this way have already delivered high returns to the local partner, which may or may not provide the kind of incentive you'd want to ensure that the additional returns from the project development are realized.

Deals structured in this way deliver high returns to the local partner, which may or may not provide the kind of incentive you would want

Delays may offset first mover advantages

Besides the initial land price and eventual sales price of the project, we need to think about how long it will take to develop. The longer it takes, the lower the project's IRR. On this issue, we frankly don't know how well Myanmar's construction contractors will perform, but we do have a few areas of concern that we have picked up from our conversations on the ground.

There is no knowledge of the speed and efficiency Myanmar's contractors

The obvious problem is that if a building boom starts, there could be an under supply of construction materials, labour and equipment. (What this actually tells us is that foreign investors may be better served to target these sectors rather than property development itself, but that discussion is for another time!)

A building boom could lead to construction materials and labour shortages

Besides the possible delay from an under supply of these inputs, the prices could rise above expected levels as well, which would increase development costs and put further downward pressure on returns.

Prices of materials and labour could rise beyond expectation, reducing the IRR

Some other concerns that were raised that may not be so obvious include the need for extremely deep piling, disruption from a long rainy season and the difficulty of getting materials to the construction site on what are now inadequate roads.

Poor roads and a long rainy season can negatively affect the IRR

While none of these are insurmountable, they do suggest that investors should approach their return calculations with a healthy degree of skepticism when it comes to how long it will take to finish a project's development,

Better to be sceptical in drawing up time-scales

100% equity financing may be required

Finally, no discussion of investment returns would be complete without a consideration of financing. Unlevered project returns are not affected by how much debt a project takes on, but as investors, we are typically concerned with equity returns.

As investors, we are typically concerned by equity returns

The problem with Myanmar investments today is that it is very difficult to borrow from the banks, so the return uplift from leverage is typically not available. Moreover, the local interest rates are quite high by global standards at 13%, which can eat into returns quite quickly especially if the time to complete a project is underestimated.

Not only is it hard to secure debt financing, local interest rates are 13%

We expect the debt financing environment to improve over time, but for now, it is one more reason that it'll be difficult to generate high equity returns.

Lack of debt financing might make it hard to generate high equity returns

Offsetting the lack of bank finance is the ability to collect substantial money upfront in presales. However, this will only support specific residential projects and may provide much less support for mixed use, office or hotel developments.

Real-estate presales offset the lack of debt finance

Do your due diligence and stress testing!

In conclusion, we would caution all prospective investors to consider carefully the assumptions that go into any return model and stress test them for conservative outcomes. If the project still looks attractive, then you are in business!

Conservatively stress test the assumptions in your return model - there is a lot to consider

Crazy over Myanmar Equity

By James Leatham (jamesleatham@newcrossroadsasia.com)

Given Myanmar's obvious economic growth potential, it is not surprising that people are looking for ways to put their money to work. Unfortunately, with no stock exchange and a limited OTC market, there are not too many easy ways to do that—yet.

Currently, investing in Myanmar is not easy

There are, however, a few public equities with varying levels of exposure. For those investors who recognised the opportunity for high returns in Asia's final frontier economy and purchased stocks as soon as the political and economic reforms gained momentum, 2012 was a fruitful year.

2012 was a successful year for those who invested in the handful of Myanmar-exposed stocks

The best known is Yoma Strategic Holdings, the purest of all Myanmar-focussed equity investments with 100% of 2012's top line coming from Myanmar. The real estate developer posts a 1Y gain of 235.9%, although if we started the clock in mid-October 2011, it would boast a colossal 1Y return of 770%.

Yoma is the best-known and purest Myanmar play

The stock getting the most play recently is Aussino, a struggling textile company. If a reverse takeover is successful, it will become the owner of a number of petrol stations in Myanmar instead. Interestingly, the SGX have yet to give the RTO a green light although the stock is currently the highest YoY performer, having rocketed 537.5%.

Aussino, with a 537% YoY gain, will operate petrol stations in Myanmar, if the RTO is successful

Interra, with 2 out of 5 of its gas fields located in Myanmar, is the second highest performer, with an annual return of 378%. Most other stocks have only limited exposure to Myanmar but may have some plans to enter with projects at some point.

Some public equities have limited exposure but future plans to enter the market

In the following pages, we provide a brief synopsis of 16 of them. We have done little detailed work on the individual names, but if you have any specific requests, please let us know, and we may be able to help.

Figure 1: Myanmar related public equities (Priced on 18 Jan 13)

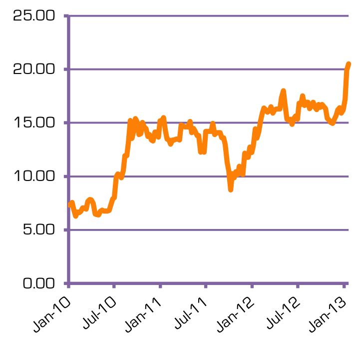
Stock	Stock code	Industry	Current price	Mkt cap ($m)	1M	3M	1Y	P/E	P/B	Div yield	30 day ave volume
Amata	AMATA TB	Industrials	20.70	742	30.2%	23.2%	52.4%	17.7x	3.2x	2.4%	12,317,390
Aussino	AUS SP	Power & Energy	0.260	64	85.7%	100.0%	537.5%	n/a	10.0x	n/a	27,501,100
Berli Jucker	BJC TB	Consumer	67.25	3,586	12.1%	2.3%	124.5%	45.1x	8.1x	1.2%	7,208,300
Daewoo	047050 KS	Conglomerate	37900	4,080	-2.8%	-2.3%	25.1%	18.3x	2.1x	0.5%	353,580
Interra	ITRR SP	Oil & Gas	0.435	157	8.7%	6.1%	279.9%	13.1x	2.0x	n/a	13,548,130
Ital Thai	ITD TB	Industrials	5.350	753	27.4%	40.1%	54.6%	n/a	2.8x	n/a	125,401,000
MDR	MDR SP	Consumer	0.019	132	90.0%	90.0%	224.7%	18.1x	3.5x	1.5%	232,119,500
PTT	PTT TB	Oil & Gas	336.00	32,227	1.5%	6.0%	5.4%	9.7x	1.6x	3.6%	3,647,513
PTT EP	PTTEP TB	Oil & Gas	162.50	21,663	2.8%	5.5%	-2.0%	9.4x	2.5x	3.4%	7,727,687
Ratchaburi	RATCH TB	Power & Energy	58.75	2,861	3.5%	13.0%	42.1%	11.5x	1.6x	3.8%	1,326,423
Semen Gresik	SMGR IJ	Industrials	15850	9,773	0.3%	7.8%	37.6%	20.6x	5.9x	2.1%	8,428,650
Siam Cement	SCC TB	Industrials	434.00	17,488	5.9%	21.9%	38.1%	26.2x	3.8x	2.7%	1,479,653
Super Group	SUPER SP	Consumer	3.180	1,441	-1.2%	23.3%	138.9%	21.9x	4.7x	1.8%	875,433
ThaiBev	THBEV SP	Consumer	0.435	8,880	8.7%	8.7%	74.7%	16.7x	4.1x	3.3%	19,334,900
Viz Branz	VIZ SP	Consumer	0.690	199	-1.4%	1.5%	127.4%	14.5x	2.581	2.9%	121,400
Yoma	YOMA SP	Real Estate	0.720	677	2.9%	30.9%	235.9%	172.1x	2.9x	0.6%	16,099,170

Source: NCRA

Amata (AMATA TB) Bt20.7

Mkt cap (US$m): 742
Ave daily volume: 12,317,390

3-mo (% chg): +23.2%
12-mo (% chg):+52.4%

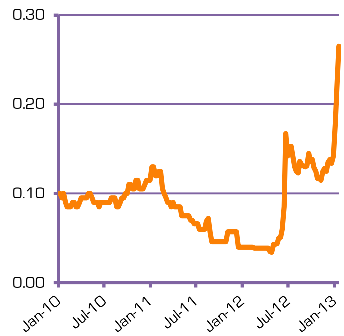


- **Who they are:** Thailand's largest industrial estate developer, manager, and infrastructure provider. It operates two export-orientated industrial estates in Thailand and is planning one in Vietnam, pending a 50-year lease approval.
- **Exposure to Myanmar:** Amata is currently in talks with Ital Thai, hoping to play a major role in the development of the Dawei Special Economic Zone. It plans to spin off its Vietnam assets into a separate listing, which might eventually hold its Myanmar assets.

Aussino (AUS SP) S$0.26

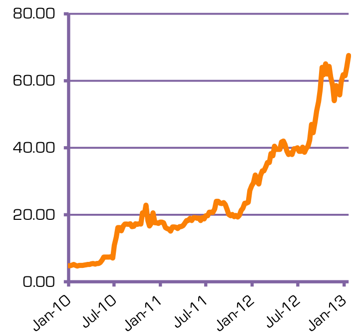
Mkt cap (US$m): 64
Ave daily volume: 27,501,100

3-mo (% chg): +100%
12-mo (% chg):+537.5%



- **Who they are:** Designers and retailers of home furnishings (textiles and ceramics) with a brand presence in >30 countries. Have been on the SGX Watch List as reported consistent pre-tax losses for three years.
- **Exposure to Myanmar:** By reverse takeover, Max Energy Group will assume control of Aussino. Max Energy Group is owned and operated by tycoon Zaw Zaw. Aussino will operate its chain of 21 modern petrol stations and the home furnishings business will become privatised, although the deal has yet to be filed by the SGX.

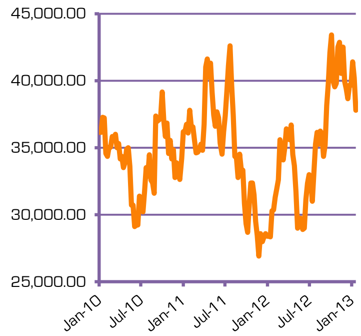
Berli Jucker (BJC TB) Bt67.3



Mkt cap (US$m): 3,586 | 3-mo (% chg): +2.3%
Ave daily volume: 7,208,300 | 12-mo (% chg):+124.5%

- **Who they are:** Lead Thailand's trading, manufacturing and servicing fields for 130 years. Imports and distributes various products including consumer, engineering, packaging, and technical equipment. TCC Group is the majority shareholder.
- **Exposure to Myanmar:** Burli Jucker Myanmar Ltd is a 100% owned subsidiary which owns a 15% stake in Siam Cement Myanmar Trading Ltd. Opened a converting plant and started production of soap in Yangon. Exports aluminium cans, glass containers and fertilizer products to Myanmar. Currently exploring further opportunities for forward and backward integration. Recently strengthened its sourcing and business development teams and increased its marketing budget.

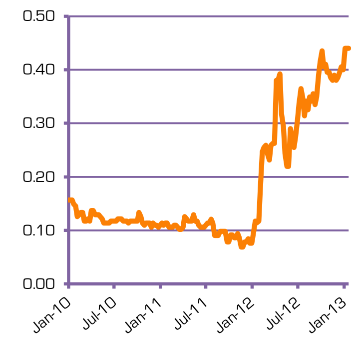
Daewoo International (047050 KS) Ks37,900



Mkt cap (US$m): 4,080 | 3-mo (% chg): +45%
Ave daily volume: 353,580 | 12-mo (% chg):+234%

- **Who they are:** Daewoo International Corp. is a South Korean conglomerate. It produces automobiles, and is a general trading company that exports and imports steel, cement, crude oil, heavy machinery, automobile parts, and textiles.
- **Exposure to Myanmar:** Daewoo has considerable exposure to Myanmar. It has been operating in the oil & gas sector since the late 1980's. Among other projects, it owns a 51% stake in the US$3.73bn Shwe Gas Pipeline project in the Bay of Bangal, which expects to extract 500 million cubic feet of natural gas per day.

Interra (ITRR SP) S$0.43



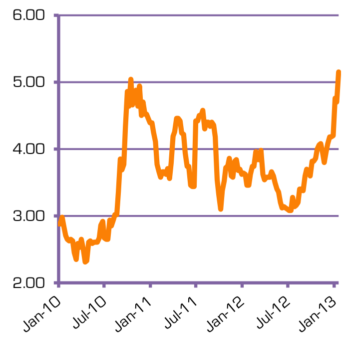
Mkt cap (US$m): 157 | 3-mo (% chg): +6.1%
Ave daily volume: 13,548,130 | 12-mo (% chg):+279.9%

- **Who they are:** Oil & Gas exploration and production through strategic alliances and partnerships. Assets include production and development contracts in Myanmar and Indonesia, as well as an exploration block in onshore Otway Basin, Australia.
- **Exposure to Myanmar:** Two-thirds of revenue is coming from Myanmar. Owns 60% interest in Myanmar's two-largest onshore oil fields in Chauk and Yenangyaung under two Improved Petroleum Recovery Contracts (IPRCs). The agreement commenced in October 1996 for a term of 20 years and 6 months. Interra is now part of private equity group Saratoga Capital, which will give it access to new capital and deal flow..

Ital Thai Development (ITD TB) Bt5.4

Mkt cap (US$m): 753
Ave daily volume: 125,401,000

3-mo (% chg): +40.1%
12-mo (% chg):+54.6%

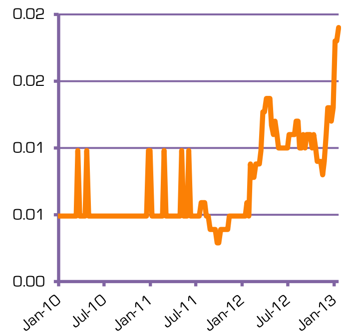


- **Who they are:** Together with its subsidiaries, it is one of South East Asia's leading industrial development contractors. Focuses on larger projects like MRT systems, power plants, mining, utility systems, and airports.
- **Exposure to Myanmar:** Mandated to develop and run the Dawei Special Economic Zone. ITD was struggling to finance this mega-project, which will require up to US$8.5 billion just to set up infrastructure and >$50 billion to complete, however, the Thai and Myanmar governments recently agreed to raise funds to finance the development themselves, and there is a high chance the Japanese will step in too. This is expected to prove to international investors that the Dawei project is a sound investment.

mDR (MDR SP) S$0.019

Mkt cap (US$m): 132
Ave daily volume: 232,119,500

3-mo (% chg): +90%
12-mo (% chg):+224.7%

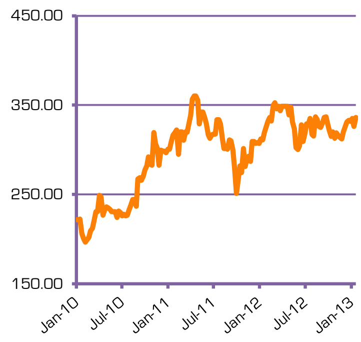


- **Who they are:** Distributor and retailer of telecommunications devices and mobile related services.
- **Exposure to Myanmar:** mDR Myanmar Co Ltd was incorporated, with mDR retaining 51% ownership, to provide after-sales services of telecommunication devices to consumers. It will become involved in the mobile devices and accessories distribution and retail businesses. Myanmar Co Ltd has a paid-up and issued capital of US$50,000. Mobile phone penetration in Myanmar is a mere 3%, in a country of circa 60m people. Comparatively, Thailand has 120% penetration..

PTT (PTT TB) Bt336.0

Mkt cap (US$m): 32,227
Ave daily volume: 3,647,513

3-mo (% chg): +6%
12-mo (% chg):+5.4%

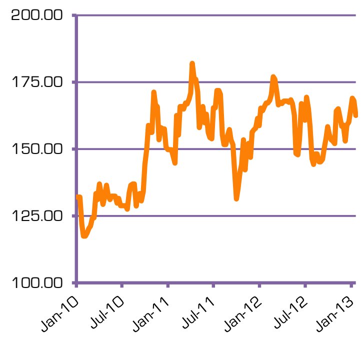


- **Who they are:** Thailand's largest oil & gas conglomerate. It's a state-owned, Global Fortune 500 company involved in electricity generation, petrochemical products, oil and gas exploration and production, and gasoline retailing businesses.
- **Exposure to Myanmar:** Operating in Myanmar >20 years and currently contributes US$300m per month to the government from purchase of natural gas. US$2-3 billion investment plan in Myanmar until 2016. It has expanded its aviation-fuel business by linking with a Myanmar state enterprise. It will launch Platinum PTT Life service stations in Myanmar and aims to establish 40 new, high-end, service stations in Myanmar within 5 years. It will aggressively expand its lube oil business, aiming to rise to become the second biggest player with sales of 7 million to 8 million litres per year, an increase of 5 million litres per year from 2011. It plans to open an oil depot to support future growth for aviation fuel and refined oil.

PTT E&P (PTTEP TB) — Bt162.5

Mkt cap (US$m): 21,663 | 3-mo (% chg): +5.5%
Ave daily volume: 7,727,687 | 12-mo (% chg): -2.0%

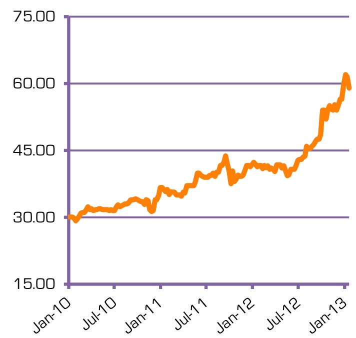
- **Who they are:** Petroleum exploration and production company, A state owned company with >40 projects globally.
- **Exposure to Myanmar:** Estimates that it will continue lifting 300 million cubic feet of natural gas a day at the end of 2013 in major gas field “M9” in the Gulf of Martaban. Plans to lay 300-kilometre-long gas pipeline in the gulf.



Ratchaburi (RATCH TB) — Bt58.8

Mkt cap (US$m): 2,861 | 3-mo (% chg): +13%
Ave daily volume: 1,326,423 | 12-mo (% chg):+42.1%

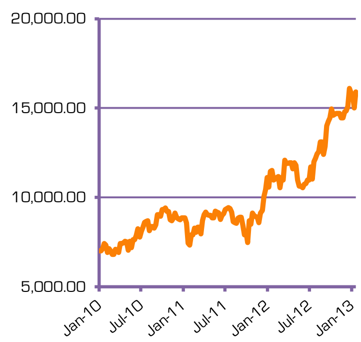
- **Who they are:** Thailand’s largest power producer, 45% owned by Electricity Generating Authority Thailand (EGAT).
- **Exposure to Myanmar:** Hopes to invest in 2 or 3 power plants in Myanmar. Plans for an additional 4000 megawatt coal-fired power plant at Dawei SEZ were rejected, citing the source of fuel. The agreement with Ital Thai still stands but if the fuel source switches to gas, Ratchaburi will have to recalculate.



Semen Gresik (SMGR IJ) — Ir15,850

Mkt cap (US$m): 9,773 | 3-mo (% chg): +7.8%
Ave daily volume: 8,428,650 | 12-mo (% chg):+37.6%

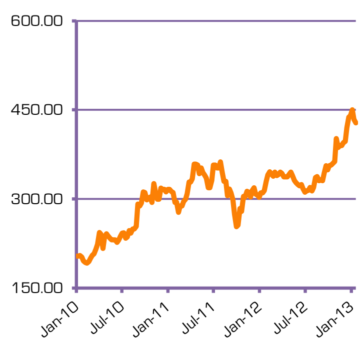
- **Who they are:** Indonesia’s largest cement producer with annual capacity of 20 million tonnes (could have reach 26 million this year.) and the highest local market share, 41%. The government owns a 51% stake. It is also a holding company for other state cement producing companies.
- **Exposure to Myanmar:** US$200m set aside for a Myanmar cement plant project and will invest using a JV vehicle.



Siam Cement (SCC TB) — Bt434

Mkt cap (US$m): 17,488 | 3-mo (% chg): +21.9%
Ave daily volume: 1,479,653 | 12-mo (% chg):+38.1%

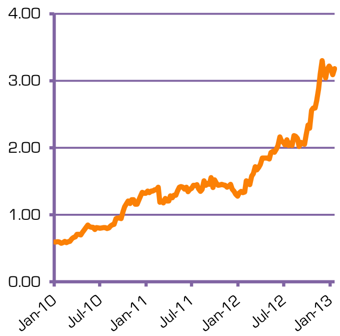
- **Who they are:** The 2nd largest company in Thailand owned 30% by Crown Property Bureau. A diversified industrial company whose operations include chemicals, paper, cement, building materials and distribution.
- **Exposure to Myanmar:** Has exported its products to Myanmar for almost 20 years with 220 million tons of SCG Elephant-logo cement expected in 2013, only a 1% increase YoY. In 2011, expanded Myanmar distribution network to include more towns and cities. Cement is in short supply with only 15 operational cement plants in Myanmar. It plans to build a new cement plant in the Tanintharyi region.



Super Group (SUPER SP) S$3.18

Mkt cap (US$m): 1,441 | 3-mo (% chg): +23.3%
Ave daily volume: 875,433 | 12-mo (% chg):+138.9%

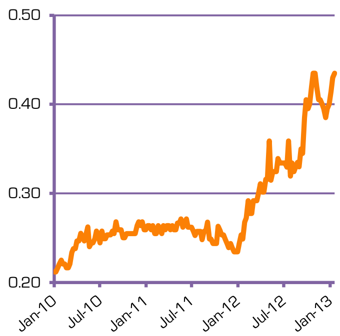
- **Who they are:** A leading instant beverages and convenient food brand owner with market dominance in SE Asia. It has >10 leading brands with a portfolio of >300 products, available in >50 countries. It operates 14 state-of-the-art manufacturing facilities in Singapore, Malaysia, China, Myanmar and Thailand (FY 2011) and produces many raw ingredients itself.
- **Exposure to Myanmar:** Manufactures and distributes in Myanmar, from which it derives 16% of its revenue (FY2011). It has 30% market share in the instant coffee segment and owns 60% of Super Coffee Mix Ltd, its instant coffee production business in Myanmar. It has a 15 year, exclusive relationship with its local partner, an extensive value chain, early mover advantage and strong brand presence.



Thai Bev (THBEV SP) S$0.435

Mkt cap (US$m): 8,880 | 3-mo (% chg): +8.7%
Ave daily volume: 19,334,900 | 12-mo (% chg):+74.7%

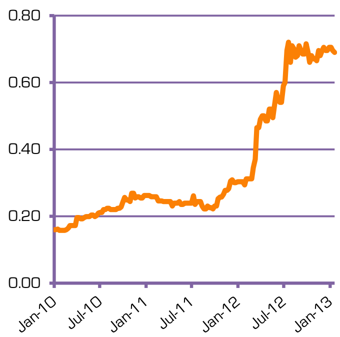
- **Who they are:** A leading Asian beverage producer whose principle shareholder is Charoen Sirivadhanabhakdi
- **Exposure to Myanmar:** ThaiBev and TCC Assets, both controlled by Thai billionaire and tycoon Charoen Sirivadhanabhakdi, have been bidding for control and now own over 40% of F&N, which in turn owns 55% of Myanmar Brewery. Myanmar Brewery brews Myanmar Beer which commands 70% market share in Myanmar. It seems nearly certain that TCC will succeed in its bid for 100% of F&N and we would expect that ThaiBev will take over the entire food and beverage division. What remains unclear is how much they will pay for it and whether how it will be financed.



Viz Branz (VIZ SP) S$0.69

Mkt cap (US$m): 199 | 3-mo (% chg): +1.5%
Ave daily volume: 121,400 | 12-mo (% chg):+127.4%

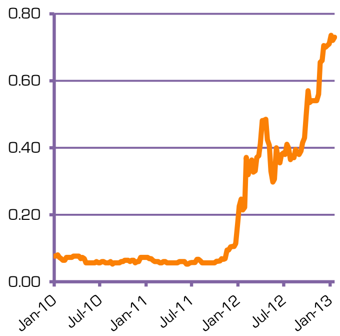
- **Who they are:** Manufactures, distributes and builds brands of instant beverages and other similar products. Exports >35 product lines (coffee, tea, cereal beverages, snack foods). It provides contract manufacturing for private labels and flexible packaging printing services to third parties. It has four production plants (Singapore, China, Vietnam, Myanmar).
- **Exposure to Myanmar:** Has been in Myanmar for >10 years. Offers instant coffee, instant cereal and instant tea (with a weighting of 40%, 40% and 20% respectively) in Myanmar. Currently the market leader in the cereal segment with a management estimated 30% market share, however, economic reforms have meant more foreign competitors for VB in Myanmar's instant coffee market. Lower-priced local competitors also create a challenging environment. VB therefore increased advertising and promotions to defend market share.



Yoma Strategic (YOMA SP) S$0.72

Mkt cap (US$m):	677	3-mo (% chg): +30.9%
Ave daily volume:	16,099,170	12-mo (% chg):+235.9%

- **Who they are:** Principal activities involve the development of land, sale of private residential properties, construction, automobile dealership, as well as design and project management for real estate developments.
- **Exposure to Myanmar:** Purest of all Myanmar-focussed equity investments; based on the latest published results in September, 100% of its top line comes from local operations. The latest project is the Meeyahta development in downtown Yangon. It will include two office buildings, two serviced apartment towers, two hotels and one retail mall. A US$193m private placement recently brought in Capital International as an anchor investor. A 1:4 rights issue should raise a further US$110m to purchase an 80% stake in Meeyahta International Hotel Limited (MIHL), which owns the Land Rights to the 10 acre plot in downtown Yangon that will become a "landmark development".



CAPITAL COLLABORATION STRATEGIES