


**AmResearch**
**Company report**

# RHB CAPITAL

(RHBC MK EQUITY, RHBC.KL)

11 Sep 2015

*Underwriting agreement in place for rights issue*
**HOLD**

 Price: RM6.26  
 Fair Value: RM5.90

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**Rationale for report: Company result**

YE to Dec	FY14	FY15F	FY16F	FY17F
FD Core EPS (Sen)	79.2	53.1	49.7	58.1
PE (x)	7.9	11.8	12.6	10.8

Source: AmResearch

Quick Take

- RHB Capital (RHB Cap) announced that, in relation to its rights Issue, the company had on 9 September 2015 entered into a management and underwriting agreement with RHB Investment Bank, Affin Hwang Investment Bank Berhad, CIMB Investment Bank Berhad, Credit Suisse Securities (Malaysia) Sdn Bhd, Maybank Investment Bank Berhad and Public Investment Bank Berhad to underwrite 250,841,130 rights shares, representing approximately 48.45% of the rights issue, for which no undertaking has been obtained from other shareholders of RHB Capital.
- The remaining 266,855,156 rights shares, representing approximately 51.55% of the total rights shares represent the entitlements of the Employees Provident Fund Board (EPF) and OSK Holdings Berhad (OSK), the substantial shareholders of RHB Capital, under the rights Issue, for which they have provided written undertakings to subscribe in full for their respective entitlements under the rights issue as at the entitlement date.
- The press further reported that the other major shareholder of RHB Cap, Aabar Investments PJS, which holds a 21.2% stake in RHB Cap, has not taken up its entitlement for the rights issue.
- Aabar's possible non-subscription will dilute its stake in RHB Cap to 17.6% from 21.2%, based on our estimates. The other major shareholders' stakes currently are 41.5% by EPF and 9.9% by OSK.
- Recall RHB Cap had earlier announced the issue price and the entitlement basis for the its proposed 517,696,286 rights issue were fixed at RM4.82 per rights share on the basis of one (1) rights share for every five (5) existing RHB Cap shares held by the entitled shareholders of RHB Cap.
- The listing date of the rights securities is set on 30 Oct 2015.
- The news of Aabar's possible non-subscription is a surprise to us. While there is no change in the company's fundamentals, this may dent sentiments on the stock in our view. We maintain HOLD.

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Printed by

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For AmResearch Sdn Bhd

 Benny Chew  
 Managing Director

TABLE 1 : VALUATION

YE 31 Dec	FY13	FY14	FY15F	FY16F	FY17F
Total Income	2,085.4	2,211.4	2,303.0	2,368.2	2,465.6
Core Net Profit	1,831.2	2,038.0	2,105.2	1,983.1	2,330.5
FD Core EPS (sen)	71.9	79.2	53.1	49.7	58.1
FD Core EPS growth (%)	0.5	10.2	(33.0)	(6.3)	16.9
Consensus Net Profit (RM mil)	-	-	2,008.1	2,177.8	2,343.4
DPS (sen)	16.3	6.0	6.0	6.0	6.0
BV/share (RM)	6.6	7.3	5.1	5.6	6.1
PE (x)	8.7	7.9	11.8	12.6	10.8
Div yield (%)	260.4	95.8	95.8	95.8	95.8
P/BV (x)	1.0	0.9	1.2	1.1	1.0
ROE (%)	11.5	11.5	10.7	9.3	9.9

Source: Company, AmResearch estimates