CREDIT SUISSE

EMERGING MARKETS DAILY

EQUITY STRATEGY

South Africa Equity Strategy	A. Bhundia
Screening for foreign flows and analyst target price	**27 11 012 80 94**

- In 2012Q3 individual stock price performance continued to be positively correlated with changes in foreign ownership, which continues the theme observed over the several preceding quarters.
- When we overlay the trends in foreign ownership with our analysts' target prices relative to prices as of 11 November, we find that Discovery Holdings, Bidvest and MTN have the best potential for further upside over the next 12 months. We screen out Goldfields (GFI) because foreign ownership levels have been erratic over the same period.
- We remain overweight Discovery and Bidvest in our model portfolio despite being underweight their respective sectors of financials and industrials.
- On the other side, we are moving Kumba to underweight in our model portfolio given the combination of net foreign selling and the expected structural decline in iron ore prices reflected in our analysts' target price. Shoprite, however, remains underpinned by domestic investor buying even though foreign selling continued in 2012Q3.

[Full Note]

RATING CHANGES

Supalai Public Company Ltd. (SPAL.BK)	OUTPERFORM		C. Techakumpuch
CP: Bt 18	**TP: Bt 20.10**	**CAP: Bt 30.9b**	**662 614 6211**

3Q: Decent results ahead of upcoming large 4Q; UPGRADING to OUTPERFORM (from Neutral); Raising Ests & TP to Bt20.10 (from Bt19.10)

- SPALI reported decent 3Q numbers, with net profit of Bt564 mn, boosted by: (1) a continuing increase in the top line; and (2) improving gross margins, with the cost side under control.
- 9M12 net profit may have accounted for only 38%; but that is in line with our expectation, as 4Q12 should be the biggest quarter for SPALI this year as a result of: (1) large condo revenue recognition; that came with: (2) higher gross margins; and (3) indirectly giving SPALI an operating leverage benefit.
- We tweak our 2013E and 2014E slightly by 1-2% following the 3Q results. We also roll over our target price to end-2013 thereby lifting it to Bt20.1 (from Bt19.1).
- The stock now offers a decent 12% potential upside, so we raise our rating on the stock to an OUTPERFORM (from Neutral).

[Full Note]

ESTIMATE / TARGET PRICE CHANGES

Saudi Arabia Banks	W. Mejia
On track to deliver double-digit EPS growth; Estimates and TP changes	**971 4 362 0067**

- We have adjusted our Saudi Banks forecast to incorporate recently disclosed detailed third-quarter financials, resulting in minor changes to our earnings estimates and target prices.
- We believe incremental provisioning to be non-recurrent - Saudi Banks shares came recently under pressure as market participants incorporated relatively weak bottom-line dynamics in 3Q12, in our view. Indeed, Saudi Banks' shares in our coverage declined 3% in the last two months having underperformed EEMEA banks by c.5% during the same period. However, most of the negative surprise was related to incremental general provisions, which we believe to be a non-recurrent trend as banks conservatively covered corporate exposures as a result of isolated credit events in the construction sector. Nonetheless, asset quality remains robust, with NPL ratios declining sequentially for most banks and NPL coverage only declining in the case of Al Rajhi Bank.
- Earnings continue to be well supported by top line growth: On the bright side, net interest margins exhibited further signs of stabilization with NIMs seemingly bottoming out for most banks in 2Q12. Hence, our investment call remains intact as we anticipate stable loan growth and margins to result in attractive earnings growth from 2013 onwards. Hence, we see attractive value in Saudi Banks' shares, which excluding Al Rajhi Bank now trade at c.20% discount to the EEMEA peer group based on 2013E P/B. We favour Riyad Bank and Banque Saudi Fransi in particular, which based on our target prices are offering around 30% potential upside.

[Full Note]

Hiwin (2049.TW)	UNDERPERFORM [V]		J. Su
CP: NT$ 192	TP: NT$ 155	CAP: NT$ 47.3b	886 2 2715 6361

New products difficult to offset demand slowdown; Lowering Estimates

- Hiwin holds a conservative view near term as it is not immune to the impact from the inventory correction and softer China demand. Management expects Nov and Dec sales to be similar to Oct, lower than 3Q12 average on weaker 'industrial robot' contribution.
- Management spent time discussing its new opportunities in high-end applications. However, we believe it is still several years away to see significant revenue contribution, given quality and reliability concerns, a lack of know-how for controller or system integration.
- Hiwin said the mismatch of parent and consolidated sales was due to an inventory build at subsidiaries for potential demand and transportation issues. Given the weak EU and China outlook, we believe it will take longer time to work down the inventories.
- We reiterate our UNDERPERFORM rating with a NT$155 TP on 14x 2013E P/E. We cut our 2012E EPS by 4% to reflect weak 4Q and fine-tune 2013-14E EPS estimates by 1-2%. We remain concerned about its high inventory and think it may need to further write down its inventory in 4Q12 when its auditor reviews the full-year financial statement.

[Full Note]

Land and Houses (LH.BK)	OUTPERFORM		C. Techakumpuch
CP: Bt 8.80	TP: Bt 9.70	CAP: Bt 88.2b	662 614 6211

3Q: Solid numbers that should lead to continuing consensus forecast upgrade; Lowering Estimates

- LH reported very strong 3Q12 numbers with Bt1.5 bn net profit (67% growth YoY and 34% increase QoQ). The numbers are good from top to bottom, with: (1) strong revenue growth, (2) surprisingly high gross margin and (3) a big associate contribution.
- We believe the results will be a positive surprise for the market considering that 9M12 net profits are already 88% of consensus full-year forecast. It also reaffirms our view that consensus upgrades will continue and we believe our above-consensus forecast is looking very much achievable.
- However, we need to manage down one item, low-rise revenue. The number in 3Q remains high and healthy; but we were hoping it would be higher than that. Lowering down our low-rise sales forecast cuts 2013E and 2014E net profit by 8% and 6%, respectively.
- Despite the revisions, we are 11% above consensus for this year and 17% for 2013. We remain positive on LH and maintain our OUTPERFORM rating on the stock.

[Full Note]

Hon Hai Precision (2317.TW)	NEUTRAL		T. Wu
CP: NT$ 87.70	TP: NT$ 100	CAP: NT$ 1t	886 2 2715 6386

"Opa" gross margin style; Raising Estimates and Target Price to NT$100 (from NT$95)

- Action/Event: GM in 3Q12 impressed yet again. On a 2% QoQ decline in revenues, GM increased 162 bp to 9.5%. This sharp GM rebound more than offset the higher opex, resulting in ~30%/42% upside to our/consensus operating profit estimates, and OPM of 3.4%. Overall, we raise our 2012/13E EPS estimates by ~10%/9% for 3Q12 results, GM lift, and fine-tuned embedded Apple estimates. As a result, our TP rises to NT$100.00 (from NT$95.00). We are raising our 2014 EPS estimates by 6.3%.
- Investment case: In our 3Q12 preview, we outlined why GMs should have been under pressure this quarter. We believed Hon Hai was ramping up iPhone 5 and iPad Mini, and continued China wage hikes and/or shortages, while revenues faced Apple's products transitions. Indeed, iPhone 5 and iPad Mini were both launched as we expected, and when we expected. There was also a refreshed iPad (i.e., 4th-gen), which we did not expect and likely incurred costs. Yet, on sequentially lower 3Q12 revenues, which were worse than our expectation, GM improved sharply. Some GM pressure may be alleviated by efficiency from its inland China facilities, Apple's assistance for China wages and greater iPhone casing allocation from Foxconn Tech, but it is hard to justify the full improvement in GM, in our view.
- Catalysts: These include demand for Apple iPhone, iPad and iPad Mini, resolution of iPhone 5 constraints, and updates on China labour shortages.
- Valuation: Hon Hai's results were strong on low expectations. It is also entering its seasonally strongest quarter led by Apple. For these reasons, we would expect Hon Hai shares to re-rate positively this quarter. However, it is not terribly under-owned by QFII at 48.5% versus its 5YR average of 50.2%. Overall, this quarter's results illustrate Hon Hai's earnings volatility, and we don't believe the ability to forecast is improving, if not worsening. We will maintain our NEUTRAL rating until we are confident about the sustainability of margins and ROEs. We find Pegatron's story and upside more compelling.

[Full Note]

Oceana Ltd (OCEJ.J)	**OUTPERFORM**		**M. Mustapha**
CP: R 63.90	**TP: R 68.50**	**CAP: R 7.3b**	**+27 11 012 80 65**

TP up to R68.50 from R55.50; Lucky Star continues to shine

- Event: Oceana released their FY12 results last week - diluted headline earnings of 420cps was ahead of our expectations. Oceana is our key Outperform in the consumer sector. We have updated our model and earnings forecasts accordingly post our telephonic discussion with management. We upgrade our FY13E and FY14E earnings forecast to 499cps and 554cps respectively and raise our target price to R68.50 from R55.50.
- Investment Case: Our Initiation piece was entitled "Lucky Star still has growth" - however Inshore fishing exceeded our expectations. The Inshore Fishing division (canned fish) benefited from an increase in volumes (c19%) and TAC (c12% in South Africa and c24% in Namibia). Furthermore, the fish meal operations returned to profitability after a substantial loss last year.
- Catalysts: - (i) we see continued demand in South Africa for the Lucky Star product offering and potential remains to increase its exposure to the rest of Africa. (ii) near term tailwinds for horse mackerel supply as Mauritania has a disagreement with the European Union.
- Valuation: We use a blended valuation of our DCF and P/E relative valuations to derive our R68.50 target price. Oceana trades on a FY13E P/E of 12.2x. We maintain our Outperform rating.

[Full Note]

COMPANY UPDATES

Gafisa (GFSA3)	**NEUTRAL [V]**		**G. Rocha**
CP: BRL 3.80	**TP: BRL 4.50**	**CAP: 1.6b**	**55 11 3701 6321**

Starting to Deleverage but Still a Long Way to Get There

- 3Q12 results: Revenue was in line with our expectation but net income was below by ~80%, impacted by higher financial expenses and minority interest. Nevertheless, the company was able to show a strong cash generation and an improvement on its leverage ratio. It also revised guidance for CFO (upwards) and launchings (downwards).
- The Good: (i) Strong Cash generation of R$261.5mn, (ii) Company had a larger-than- expected CFO at R$ 246mn in 3Q12. As a result, the guidance was revised from R$500mn - R$700mn to R$ 600mn-R$800mn. The CFO for 9M12 is R$607mn (already above the mid-point from previous guidance), (iii) Gross margin was 240 bps above our expectation (although with a slightly decline of 20 bps yoy), (iv) Net debt to equity improved from 126% in 2Q12 to 116% in 3Q12.
- The Bad: (i) Guidance for '12 launchings was revised downward to R$2.4bn-R$3bn (vs. R$2.7bn-R$3.3bn). The reason is that the company was previously expecting launchings of R$270-R$330mn for Tenda. Now, Gafisa expects to resume launchings in the Tenda segment only next year, (ii) Higher financial expense (almost ~50% above our expectation), (iii) Net income was almost 80% below our expectation due to the impact of minority interest and higher financial expense, (iv) Other expenses increased 49% yoy.
- Credit Suisse View: Neutral. Although net income was below our expectation, we welcome the stronger-than-expected cash generation. It is also important to highlight that the Alphaville segment accounts for almost half of launchings in 9M12 and might end the year with total launchings above R$1bn.
- Valuation: Company has a P/BV (last reported) of 0.6x. Gafisa trades at a P/E of 10.8x in '13 and 7.5x in '14, implying a discount of 28.6% and 7.1%, respectively.

[Full Note]

BR Malls Participacoes (BRML3)	OUTPERFORM		G. Rocha
CP: BRL 26.10	TP: BRL 28	CAP: 11.8b	55 11 3701 6321

Financial Results Dragging Down the Bottom Line

- 3Q12 results: Net Sales was in line with our expectation. However, net income was below our estimate on the back of a very negative net financial result.
- The Good: (i) Occupancy rate of 97.9%- the highest in six quarters. (ii) Revenue in line with our expectation, implying in a yoy growth of 26.6%. (iii) Leasing spread for renewals of 27% and leasing spread for new contracts of 19.9%. (iv) Focus on increasing debt maturity and decreasing debt cost through the retap on their second perpetual bond and an on-going CRI restructure (to replace a debt of R$500mn at TR+10.15% for two tranches at IPCA+3.96% and IPCA+4.27%). (v) Expansion mode with the recent acquisition of Shopping Plaza Macaé and Shopping Capim Dourado.
- The Bad: (i) A very negative financial result. Financial investment generated 49.7% less in 3Q12 vs.3Q11 due to reduction in the average cash position and lower interest rates. Interest expense increased by 4.4% in the same period due to higher debt. The result was also due to exchange rate variation and the effect of increased expectation of future inflation on swap instruments. (ii) SG&A increased 48.4% yoy on the back of wage inflation and the opening of greenfield projects. (iii) FFO was 22.3% below our estimate. The FFO margin was 34.2% - 70 bps below the margin in 3Q11. (iv) As a result, net income was 14% below our estimate.
- Credit Suisse View: Neutral. Although the market penalized the stock due to the previously reported SSS growth of 6.2%, we welcome the refinancing efforts, the higher occupancy rate and the company's ability to act as market consolidator.
- Valuation: BR Malls trades at a P/FFO of 20.1x in '13 and 15.4x in '14, implying a premium to peers of 4.1% and 5.5% respectively. We maintain our Outperform rating and out TP/share of R$28.

[Full Note]

Ecorodovias S.A. (ECOR3)	NEUTRAL		B. Savaris
CP: BRL 17.97	TP: BRL 16	CAP: 10b	55 11 3701 6332

Better Off Signing Amendments

- Ecorodovias has announced a R$328mn contract amendment for its Ecovias dos Imigrantes concession, yielding 9.1% IRR (real, unleveraged). The rebalancing of this contract will derive from the extension of the concession terms by 18 months and 11 days, meaning Ecorodovias will now have this concession until Sept. 2025, instead of Mar. 2024. This amendment had been announced close to 15 months ago but was still pending final approval by the Sao Paulo State Transportation Agency (Artesp) in relation to the project's IRR. The company and Artesp finally reached an agreement yesterday, setting the IRR at 9.1% (real, unleveraged), implying that this amendment should add roughly R$65mn in NPV (~R$12/shr) to Ecorodovias, assuming a ~15% IRR (real, leveraged), which we see as attractive given the current interest rate scenario.
- Contract amendments continue to show stronger IRR's than new concessions. The reason for this difference is that for a contract amendment negotiations are conducted between the regulator and the concessionaire, without a competitive bidding process, which consequently tends to lead to more attractive returns for the concessionaire. In the past, contract amendments used to be settled at the project's same IRR from the time of the concession. Now, as the government is being stricter with concessionaires, the IRR in the amendment was settled at 9.1% (real, unleveraged), vs. the IRR in the vicinity of 20.6% (real, unleveraged) observed at the beginning of the concession.
- Reduction in project IRR's seems inevitable. The government is reportedly increasing pressure on concessionaires in order to reduce project IRR's. This is also evidenced by the recently announced revised terms for the BR-040 highway auction (~940km) scheduled for Jan. 2013, which should provide IRR's in the vicinity of 5.5% (real, unleveraged), from previous levels around 8.0%.
- Credit Suisse view: Positive for Ecorodovias and consequently for the sector, as it indicates that toll-road concessionaires may still obtain more attractive IRR's via contract amendments than the 5.5% (real, unleveraged) rates that the government is trying to set new concessions at. Additionally, access to attractive funding for infrastructure projects may allow leveraged IRR's to reach attractive levels of around 15% or so.
- What are the investments in this contract amendment? Investments agreed upon in this amendment require that Ecorodovias remodel the intersection at km 55 of the Anchieta highway, with the implementation of a beltway connecting the Anchieta, Cônego Domênico Rangoni, Imigrantes, and Padre Manoel da Nóbrega highways, as well as the construction of an 8km third lane in both directions on the Cônego Domenico Rangoni highway, between km 270 and km 262, in the Cubatão Industrial Complex region. Construction is scheduled to be concluded in September 2014.

[Full Note]

New China Life (H) (1336.HK)	OUTPERFORM [V]		A. van Veen
CP: HK$ 24.65	TP: HK$ 34	CAP: HK$ 25.5b	852 2101 7508

October premium saw recovery on weak 3Q12

- New China Life reported October 2012 premium of Rmb8.6 bn, up 4.1% YoY, which was back to positive after a weak 3Q12 (-7.7%). YTD premium growth was 4.6% YoY.
- We understand that agency momentum was better in 2H12 with slight improvement in both number of agent and productivity. Bancassurance likely remained tough, i.e. in negative territory, while the impact of lower interest rate and less competitive wealth management products is not material. New China Life is focusing on improving business mix by selling more longer-term regular business in both channels with higher margins.
- We also understand that New China Life will introduce a new performance measurement system next year, which puts more weighting on value of new business as a key metric.
- New Chine Life currently trades at 1.0x P/EV, at a 30-50% discount to its peers. We maintain OUTPERFORM given the inexpensive valuation, but note that full share price recovery is difficult until data points show consistent evidence of new business recovery.

[Full Note]

S.A.C.I. FALABELLA (FALAB)	NEUTRAL		A. Gonzalez
CP: CLP 4,878.40	TP: CLP 4,400	CAP: CLP 11.5t	52 55 5283 8921

3Q12: Margin contraction continues, FY consensus hard to reach

- Event: Falabella released 3Q12 results yesterday. Operating results came in line with our estimates, but high tax charges in Chile negatively impacted net income. Revenues grew 15.7% y/y (0.6% above our expectations), while EBITDA margin is still under pressure (-165 bps y/y), mainly driven by higher provisions (given the removal of ~40% of customers from the credit bureau in Chile), leading EBITDA to a 1.5% y/y expansion (1.5% below Credit Suisse estimate).
- New income tax rate in Chile. Income taxes have been permanently increased from 18.5% to 20%, which led to a one-time hike on deferred taxes (of CLP16.1 bn), as previous tax liabilities were re-expressed at the new rate.
- Also, the new tax rate was applied retroactively to 1H12 results, leading to an effective tax rate during the quarter of 48.8%. This was the main driver of the large decline in net profit y/y (-22.2%).
- Credit card business in Chile shows no signs of improvement. Provisions in the Chilean non-bank credit card business (CMR, 32.2% of total loans) increased 123 bps y/y (22 bps q/q) to 5.1% of total loans. Provisions in Banco Falabella (33.8% of total loans) increased 45 bps y/y, or 25 bps q/q, to 3.6%.
- FY2012 estimates seem optimistic: EBITDA for 9M12 has declined 6% y/y, while Bloomberg consensus still reflects a 4.9% increase y/y on FY12 numbers. In order to reach consensus, EBITDA during the fourth quarter would have to increase 32.4% y/y, which we see as highly unlikely.
- Also, guidance for new units (48 new stores in FY12) seems aggressive given 19 stores opened YTD.
- Catalysts: Conference call to take place Thursday November 15th at 10:00 a.m. EST.
- Valuation: Falabella trades at 22.1x P/E 2013, vs. Latam retailers at 20.9x. We believe THE current valuation still does not reflect compressing margins in Chile, mostly coming from the credit card business, and slower-than-expected growth in selling area. We reiterate our NEUTRAL rating.

[Full Note]

WuXi PharmaTech (WX.N)	OUTPERFORM		L. Sun
CP: US$ 15.19	TP: US$ 18	CAP: US$ 1.1b	852 2101 7658

3Q12 results beat; new business driving revenue growth on track

- WuXi's 3Q12 non-GAAP earnings per ADR (diluted) grew 18.4% YoY and beat consensus by 23.3%, driven by robust 32.4% new business in China Lab (e.g. Toxicology business doubled) and the completion of US$67 mn share buyback programme.
- Gross margin eroded from 39% to 36.6% YoY due to increasing labour costs and the RMB appreciation but we see the light of smaller future margin erosion as the high price-pressured pure chemistry discovery now accounts for only 18% of China lab revenue. We expect gross margins to stabilise after new business starts to break even.
- Total employees, a leading indicator of WuXi's revenue growth, rose to 7,000, 17% higher than our expectation. Management estimated it will hire additional 800 scientists in the near term to fuel the new business growth.
- Maintain OUTPERFORM. We believe WuXi's integrated platform will continue to deliver double-digit growth. Our target price of US$18 is based on 11.2x FY13E P/E and 9.4x FY12E EV/EBITDA, below global peers' average.

[Full Note]

Tianqi Lithium Industries. Inc. (002466.SZ)	UNDERPERFORM [V]		V. Chan
CP: RMB 27.94	TP: RMB 17.30	CAP: RMB 4.1b	852 2101 6568

Trading suspended; bidding for Talison

- Trading in Tianqi Lithium (Tianqi) was suspended from 12 November on a mooted bid for Australia-based, Canada-listed Talison lithium (Talison) announced by its parent. We see this as a catalyst for Tianqi's share price, notwithstanding rich valuations.
- Chengdu Tianqi, Tianqi's parent, said on 12 November that its wholly-owned subsidiary Windfield or a related party plans to submit a proposal to take over Talison at a price higher than C$6.50 per share. Talison has not received a proposal.
- Financing a key issue. Chengdu Tianqi is the majority owner of Tianqi; and has pledged 34% of total shares outstanding to banks to raise funds, not enough to cover the bid, considering Tianqi's market cap (Rmb4.1bn). We estimate the cost of the deal at Rmb4-5 bn for all shares and note the financial pressure this adds.
- Acquisition would represent vertical integration for Chengdu Tianqi, helping ensure supply of raw materials and keeping prices here under control. But if the bid price is too high or another interested party, Rockwood, raises its offer, we think Chengdu Tianqi and any related party will drop the bid.

[Full Note]

Oi SA (OIBR4)	NEUTRAL		A. Campbell
CP: BRL 8.30	TP: BRL 9	CAP: US$ 19542.4m	55 11 3701 6313

Big 4Q needed to meet 2012 EBITDA guidance

- Event: 3Q12 results. Oi reported top line in line with our and market expectations; however, we see results as slightly negative because EBITDA fell 2% short of our estimate. Accumulated EBITDA in the first nine months of 2012 summed to R$6.3bn, implying a substantial increase q/q is required in 4Q12 to meet full year guidance. Oi posted another quarter of increasing net debt and leverage level.
- Investment Case: Oi's turnaround became a little more evident this quarter. Despite a still declining fixed-line customer base, it was possible to see an initial improvement in Oi's profitability per client. However, in our view, Oi's investment case will only gain more momentum when the company starts showing declining leverage and stronger free cash flow. Oi's dividend yield for 2013 may be seen as attractive against a backdrop of low SELIC interest rates, but cash generation is still much lower than dividend payments.
- Catalysts: (i) Reduction in its fixed-line base decline, while keeping its improvement on postpaid wireless net additions, (ii) increase in profitability mainly on the fixed-line segment, reporting increasing ARPU quarter on quarter, and (iii) non-strategic asset sales could be seen as positive since leverage is at a high level of 3x Net Debt/ LTM EBITDA.
- Valuation: We estimate the shares are trading at 13x P/E for 2013, a premium to Vivo and TIM. Although on EV/EBITDA basis Oi presents a slight discount to VIV, our main concern lies in its weak FCF yield of only 0.7% and high leverage of 2.7x net debt/EBITDA expected for this year.

[Full Note]

Foxconn Technology Corp. (2354.TW)	OUTPERFORM [V]		P. Chen
CP: NT$ 94.80	TP: NT$ 126	CAP: NT$ 117.3b	886 2 2715 6323

3Q12 results support increasing metal casing revenue

- FTC released 3Q12 consolidated numbers, including a 48% QoQ increase in gross profit and a 72% QoQ increase in operating profit. Its GM declined to 8.7%, hurt by surging contribution from low-margin game consoles and the initial yield rate issue at new smartphone casing.
- We believe the results support our view of increasing metal casing revenue. If 3Q12 revenue was purely driven by the low-margin game console business (assuming both metal casing/thermal revenue were flat), operating profit margin would have been 4.7%, instead of 6% as reported.
- Our base case assumes that FTC will supply 50% of the iPhone 5 casing, though we are also aware of the potential profit-sharing scheme within the group. There is other evidence supporting our view. Please see our note "Foxconn Technology Corp: iPhone casing not in FTC? We don't think so!" published on 12th November for more details.
- We keep our FY12-14 EPS estimates largely unchanged. We still expect FTC to benefit from the new product cycle (iPhone 5 casing). However, we acknowledge that limited financial transparency within the group is not helping its valuation.

[Full Note]

MOL (MOLB.BU)	OUTPERFORM		P. Dzieciolowski
CP: HUF 18,735	TP: HUF 21,200	CAP: HUF 1.7t	48 22 526 5638

Q3 results review; In line with consensus

- 3Q12 headline figures slightly above consensus, some disappointment on CCS basis: MOL reported 3Q12 with Clean EBITDA coming in at HUF187.8bn (6% above consensus), Clean EBIT at HUF117bn (5% above consensus) and Net profit at HUF77.6bn (-1% below consensus). The results were somewhat weaker on CCS basis with Clean CCS EBITDA at HUF152.6bn (6% below consensus), Clean CCS EBIT at HUF82.0bn (14% below consensus). The main reason behind the small miss on clean CCS result is higher loss in Intersegment profit, which relates to a transfer of gas between upstream and midstream businesses. We think the market is likely to take these results neutrally especially that all eyes will be focused on the Capital Market Day, which will take place tomorrow in Budapest. The focus of the CMD should be the downstream restructuring program and development of assets in Kurdistan.
- Good Downstream performance / Stable Upstream: In terms of division performance Downstream division reported the highest CCS-based results since Q2 2008 on the back of refinery margin recovery (CCS EBIT came in at HUF19.1bn) also supported by notable result improvement at INA. Result of Upstream division was relatively stable on QoQ basis with Clean EBITDA coming in at HUF102bn. In terms of Midstream business the improvement in the result on QoQ basis was mainly caused lower losses in Prirodni Plin.
- Valuation: MOL is currently trading on next year Bloomberg consensus PE and EV/EBITDA of 7.9x and 5.1x, which compares to historical average of 8.6x and 5.3x respectively.

[Full Note]

PGE (PGE.WA)	UNDERPERFORM		P. Dzieciolowski
CP: PLN 17.68	TP: PLN 18.90	CAP: PLN 33.1b	48 22 526 5638

Q3 results review; Fading momentum

- 3Q12 below consensus: PGE reported 3Q12 results with EBITDA, EBIT and Net profit coming in at PLN1,986m (up 6% YoY), PLN1,255m (up 2% YoY) and PLN1,137m (up 33% YoY) respectively. 3Q12 results were below PAP consensus on operating level by 4-7% while it matched net profit expectations largely due to better financial result and lower taxes compared to last year. In addition, 3Q12 results contained few one offs with net positive effect of PLN120m (including previously flagged PLN153m reversal of Alpiq provision), which improved reported result. With recurring EBITDA for 3Q12 at PLN1,866m (up 8% YoY) the growth of PGE results is losing momentum and positive surprises from previous quarters are unlikely to be repeated going into 2013 especially in the light of sharp power price declines, in our view.
- We think a large dividend surprise in 2012 is unlikely. Following the dividend payout (PLN1.83DPS) net cash position dropped to PLN2.8bn at the end of 3Q12 compared to our year end expectations of PLN1.6bn. Assuming PGE delays its investment programme further such a net cash position would allow for large dividend payout in the short term. However as we expect sustainable FCF to drop below PLN3bn in 2013 and considering large capex on the horizon (at least PLN15bn for thermal generation capex pipeline) we think the market implied expectations of close to 60% payout ratio from 2012 profits are too high and also above company dividend policy. (We currently expect DPS of PLN0.88 for 2012 compared to Bloomberg consensus at PLN1.3).
- Valuation: On our numbers PGE is trading at 2013 PE and EV/EBITDA of 11.3x and 5.6x. Assuming no thermal generation capex and adjusting multiples for free CO2 (calculating clean multiples for existing business) we see 2013 PE and EV/EBITDA at 12.8x and 5.4x respectively.

[Full Note]

Yapi Kredi Bank (YKBNK.IS)	OUTPERFORM		A. Buldur
CP: TRY 4.67	TP: TRY 5.41	CAP: TRY 20.1b	90 212 349 0459

Q3 results - review

- Summary: Bank-only net income was TL542m, in line with our estimate of TL539m and 20% above consensus estimate of TL450m. Slightly higher NII (owing to TL loan yield) and lower general provisions (owing to decrease of bank placements and lower GPCL growth) were netted-off by slightly higher trading loss and loan loss provisions. We expect positive market reaction to Q3 results and reiterate Yapi Kredi as our top pick among large-cap Turkish banks.
- Highlights: In Q3, NII was slightly above our estimate due to higher yield on TL loans. NIM adjusted for impairment of HTM securities was down 10bps to 4.1% qoq (L-D spread up 40bps qoq). YKB's loan and deposit growth rates were 1.4% and 0.5% vs sector growth rates of 2.5% and 2.4% in Q3. NPL ratio of 3.7% was up 35bps (coverage flat) and collections to new NPL flows was 60% (69% in Q2). CAR of 13.2% was down 136bps qoq after full implementation of Basel II.
- Guidance: Management expects further NIM improvement in Q4 bringing 2012 NIM expansion to 40bps yoy. YKB has not finalized the 2013 budget but management expects 4.6% GDP growth, 6.4% inflation, 7.5% CAD/GDP and 6.6% benchmark bond yield along with 17% loan growth, 13% deposit growth, stable NIM and stable/slightly higher CoR for the sector. In line NIM and total loan growth performance (relatively higher loan growth in profitable segments) with higher than sector deposit growth was the initial 2013 bank specific guidance. Management sounded comfortable regarding the relatively lower CAR of the bank and expects 50bps-80bps improvement from insurance stake sale, 50bps improvement from decrease in risk weight of Eurobonds and further improvement from the reclassification of HTM securities under AFS (56% under HTM as of Sep 12) with a target of at least 14% CAR.
- Valuation: On bank-only numbers, Yapi Kredi is trading at 2012E P/E of 10.6x and P/BV of 1.3x vs peer group averages of 10.3x and 1.5x.

[Full Note]

Anadolu Efes (AEFES.IS)	UNDERPERFORM		O. Muminoglu
CP: TRY 25.60	TP: TRY 27	CAP: TRY 15b	90 212 349 0454

Q3 results review: EBITDA 7% below consensus

- The key reasons behind 3Q miss were lower Turkish-beer margins and volume weakness in Russia, in our view.
- Turkish-beer market share -340bps yoy in 9M: Division volumes were -1.7% yoy, slowing from +9% in 1Q and +4% in 2Q, partly on the base effect and 2) tougher competition from (TBORG.IS). 4QE volumes will face both a resilient base and the excise-hike effect (22-Sep). Still, we believe FY12E guidance of "low-single-digit growth" looks doable with 9MA:+3.3%.
- International-beer (EBI) volumes were -13% yoy (excl. SAB), forcing FY12E segment guidance by app. -5%. Carlsberg's Russian share gains -in a market that declined 2-3% in 3Q- was already a negative sign for Efes; yet the net impact was apparently harsher. Efes stated (temporary) SAB-integration as the key reason (destocking, brand optimisation, prolonged negotiations with some retailers and lower in-store promotions).
- Despite positive-mix, the Turkish-beer segment incurred higher marketing costs, which could be a respond to competition while maintaining channel opex. EBI's EBITDA margin improved by +170bps yoy (in-line), again driven by higher gross margins coming from SAB-alliance.
- Downward revision to guidance: We estimate the downward revisions to beer-outlook post-3Q results imply a 5% lower group EBITDA compared to the guidance set disclosed post-2Q results.
- Catalysts: 1) 3Q conference call is on 14-Nov at 2.30pm (+44(0)20 7136 2051, +1646 254 3360, 7692437*); 2) 4Q volumes due mid-January.
- Valuation: Efes is trading at 18.3x 2013E Credit Suisse-adj P/E versus global brewers' at 17.2x on our forecasts.

[Full Note]

PZU SA (PZU.WA)	NEUTRAL		R. Burden
CP: PLN 386	TP: PLN 380	CAP: PLN 33.3b	44 20 7888 0499

Investment driven Q3 beat; Maintain Neutral

- Strong headlines: PZU has reported Q3 net income PLN1.12bn v our PLN902m and cons PLN902mn, pre-tax operating profit for the Q3 is cPLN1,405m v our PLN1,100m and cons PLN1,111m. The outperformance at the pre-tax operating level has come from three areas; 1) cPLN240m higher levels of realised capital gains, 2) PLN30m of additional releases from type P (group life) reserves and 3) slightly better costs within life. As such the quality of the beat this morning is relatively low and whilst 2012 earnings are likely to push up further given both the beat and further strong asset returns in Q4 on the fixed income side. Key to 2013/14 earnings in our view will be any commentary on the sustainability of non-life results with the combined ratio having remained strong at 90.7% for the 9mths v 90.5% at 1H and our 94.3% for 2013, previously management had highlighted exceptionally benign motor claims trends and the question remains whether these will reverse into 2013, each 1pt better on the combined ratio equates to c3% on earnings. With the stock trading on increasingly full headline valuation metrics, c2.5x spot T/NAV and c11.6x our current 2013E earnings estimates we see earnings upgrades as key to sustaining the current share price. Remain Neutral.
- P&C in-line ex-gains: overall operating profit PLN551m v our PLN465m driven mainly by PLN87m of higher realised gains. Premiums grew 3.1% for the 9mths slightly below our 4% expectation and suggesting a c2pt contraction in the discrete Q3. The P&C combined ratio of 90.7% is in-line with expectations. Looking at the underlying, there are no obvious large-one off factors in the combined ratio in Q3, adjusting for the c3.6pts of large items (frost and reserve additions on construction) from 1H suggests an underlying combined ratio of c87.1% v c86.3% in Q1 and 83.7% in Q2 pointing to the benign underlying claims environment having been maintained in motor. We will look for colour on this on the call, as evidence of this being sustained into 2013 would put upwards pressure on earnings.
-
- Life better due in part to lower expenses: Life operating profits came in at PLN795m v our PLN615m, with the outperformance driven by 1) higher realised gains cPLN140m, 2) higher type P reserve releases cPLN30m and 3) better expenses cPLN100m. Life premiums are up 10.6% and ahead of our expectations but this comes entirely in the individual segment where premiums are up 91%, with this reflecting continued strong sales of very low margin banc-assurance business, more profitable group business is up 3.5% in-line with expectations. Overall life margins at 25.3% of premiums are better than expected, with the group business at 25% v our 21.4% offsetting weak individual life margins at 16% v our 21%, with the latter due to higher volume of low margin banc-assurance sold business, with the drivers of the overall better margin the same as the higher operating result, namely 1) c1pt from higher Type P reserve releases, 2) c2pts from higher realised gains and 3) c1pt from better admin expense levels. We will seek clarfication on the life admin expenses which saw at PLN140m in the quarter appear very low compared to a run-rate of c160m per quarter.
- Shareholders equity is in line at PLN13.7bn.

[Full Note]

Copel (CPLE6)	NEUTRAL		V. Canheu
CP: BRL 27.80	TP: BRL 40	CAP: 7.6b	55 11 3701 6310

Dismal Results in D after Tariff Review

- Another disappointing quarter: Copel reported very weak results, mainly due to very dismal figures in its disco after implementation of the tariff review. Net revenues of R$1,976mn, EBITDA of R$477mn, and net income of R$315mn. After adjusting for the CVA account, operating results fell short of our expectation, with EBITDA of R$437mn (-16.3% vs. Credit Suisse estimate) and net income of R$288mn (16.7% vs. Credit Suisse estimate). We note financial results were very impacted by a monetary gain, meaning recurrent net income levels should be even lower.
- Copel D: First quarter after tariff review came in very weak. Copel D reported adjusted EBITDA of R$34mn versus our estimates of R$80mn, showing that the impacts of the third review cycle were stronger than our expectations, aggravated by still-high personnel expenses, which we expected to return to 1Q12 levels after many one-offs in 2Q12, but that ended up not happening. Now, we believe it's paramount for management to clarify to investors how it can improve the returns of this business in the new tariff reality.
- Concession renewal: potential impairment charge of R$313mn. Copel disclosed the difference between the book value of the assets and the residual value proposed by the government, i.e., R$134mn for generation and R$179mn for transmission, which could impact Copel's earnings in 4Q12.
- Credit Suisse view: We expect a negative market reaction to this result, since it should drive another round of downward earnings revisions. In our view, CPLE remains a fundamentally cheap stock with lots of room for improvement (high costs in distribution, low prices in generation, no focus on dividend distribution), however (1) the lack of visibility on potential improvements and (2) the continuous deterioration of its business make us less optimistic about the stock. We maintain our Neutral rating on the shares.

[Full Note]

INDUSTRY UPDATES

China Coal Sector	T. Chen
Impact of contract/spot price convergence, cost support remains on pricing	852 2101 7031

- Chinese media reported again the potential convergence of contract and spot coal prices. As the key contract and spot prices are already close, we do not believe it would lead to earnings impact on coal stocks, beyond the call of spot coal market. The timing is good for government, as the impact of the potential change would be minimised under the current market.
- Specifically, we estimate the contract price is now at Rmb30-40/t below spot at port, for 5500kCal thermal coal, much narrower than the Rmb166/t discount at the beginning of the year, driven by correction in spot prices. We expect flat contract price for 2013E
- One could argue that the convergence of the contract and spot prices may suggest more volatile ASP for coal producers, which may lead to "de-rating". Nevertheless, we think part of the de-rating is already in the price, as multiples of Chinese coal stocks are in line with global/regional peers.
- In the near term, we still see cost support to spot coal price driven by supply response, amid price softening. We maintain our preference on Shenhua, and UNDERPERFORM on Yanzhou.

[Full Note]

Indonesia Oil & Gas Sector	A. Tantri
BP Migas authority returned to Ministry of Energy and Mineral Resources	62 21 2553 7976

- The Constitutional Court has released its decision yesterday, annulling some sections regarding the regulatory body, considering that BP Migas functions have to be returned to the government or the Ministry of Energy and Mineral Resources.
- BP Migas is the regulatory body for upstream oil and gas operations formed in 2002, following the issuance of the oil and gas law no 22 in 2001. The function was previously performed by Pertamina, the state-owned oil and gas company. We have heard some protests by upstream oil and gas companies on the slow approval process since then. Indonesia oil production has declined by 27% since 2002 or 3.4% pa.
- We believe the dismissal of BP Migas should benefit oil and gas companies in Indonesia as this could lead to the approval process being more simple in the future; this should encourage further development in oil and gas operations in the country.
- The impact on PGAS should be minimal in the near term, but there could be some delay in gas supply increase in the medium term, although we see more positive supply in the longer term.

[Full Note]

Taiwan TFT LCD and Touch Panel Sectors	J. Su
Monthly tracker-November 2012	886 2 2715 6361

- Taiwan's TFT supply chain Oct sales were down 6% MoM but up 1% YoY. Both AUO and CMI saw 7% MoM declines in Oct on softer demand post China's October holiday; the month's sales were still up mid-single digit YoY. Radiant's Oct sales were up 9% MoM, mainly on new product launches.
- Touch Panel supply chain Oct sales were up 13% MoM and 34% YoY, led by TPK's 27% MoM growth on multiple new product launches, including touch panel for tablet (both Apple and non-Apple) and Win 8 NB. G-Tech Oct. sales, up 31% MoM, was also better than our expectation on stronger iMac and iPad ramps.
- Panel makers' stocks (AUO and CMI) performed best over the past one month in Taiwan TFT. For Taiwan Touch Panel, Cando, TPK and YFO saw the best performance. The top three QFII net buys were TPK, Novatek and AUO, while the top three QFII net sell were Elan, E Ink and Wintek.
- QFIIs net bought US$231 mn of Taiwan TFT/Touch in Oct (three consecutive monthly buys) and YTD net bought increased to US$252 mn vs 2011 US$1.7 bn net sold. TPK and G-Tech both guided for strong sale momentum for 4Q on new product ramps, while Novatek, AUO and CMI guided better-than-seasonal 4Q.

[Full Note]

China Gas Sector	E. Pang
China LNG transportation prospects	852 2101 6406

- Multi-faceted look at the vehicular LNG market. We look at the key drivers and challenges of developing the LNG vehicular market, which is still in its infancy, and estimate the potential size of the LNG fuels market.
- Drivers and challenges. While the market is generally aware of the benefits of vehicular LNG fuels versus diesel (comparative economic costs, cleaner air, and suppliers incentive given the current pricing regime), we have highlighted five main challenges impeding the rapid uptake of LNG vehicles and some of the progress being made in resolving these issues.
- Estimating the potential size of the LNG fuels market. As the LNG fuels market is only 1.7 bcm in 2012 (1% of the gas market), there is significant room for growth. Accounting for the fuel usage characteristics of the targeted diesel buses and trucks market, and estimating their annual replacement rate with comparable LNG fleets, our base case for the LNG fuels market is 8.2 bcm in 2015 (3.2% of the China gas market).
- Investable companies within the LNG chain. With the current pricing regime (regulated input cost, de-regulated LNG fuel price), integrated operators of liquefaction plants like Kunlun Energy, ENN Energy and Guanghui are beneficiaries. We also listed some LNG equipment supply chain makers which would benefit from the estimated rising capex in the chain.

[Full Note]

All headline prices are as of the previous day's close unless otherwise noted.

Companies Mentioned *(Price as of 13 Nov 12)*
AU Optronics (2409.TW, NT$11.7, OUTPERFORM, TP NT$14)
Al Rajhi Bank (1120.SE, SAR69.5, OUTPERFORM, TP SAR80.9572461800709)
Anadolu Efes (AEFES.IS, TL25.6, UNDERPERFORM, TP TL27)
Apple Inc (AAPL, US$542.59, OUTPERFORM, TP US$750)
BR Malls Participacoes (BRML3, R$27.14, OUTPERFORM, TP R$28)
Banque Saudi Fransi (1050.SE, SAR31, OUTPERFORM, TP SAR39.605567584366)
Bidvest Group Limited (BVTJ.J, R210.99, OUTPERFORM, TP R233)
Carlsberg (CARLb.CO, Dkr531.5, UNDERPERFORM, TP Dkr460)
Chimei Innolux Corporation (3481.TW, NT$11.2, OUTPERFORM, TP NT$13.3)
China Shenhua Energy Company Limited (1088.HK, HK$31.1, OUTPERFORM, TP HK$38)
Copel (CPLE6, R$27.8, NEUTRAL, TP R$40)
Discovery Holdings Ltd (DSYJ.J, R55.9, OUTPERFORM, TP R67)
E Ink Holdings Inc (8069.TWO, NT$20.7, UNDERPERFORM, TP NT$19.5)
ENN Energy Holdings Ltd (2688.HK, HK$33.75, UNDERPERFORM, TP HK$27.3)
Ecorodovias S.A. (ECOR3, R$17.65, NEUTRAL, TP R$16)
Elan Microelectronics Corp (2458.TW, NT$44.5, OUTPERFORM, TP NT$60)
Foxconn Technology Corp (2354.TW, NT$96.8, OUTPERFORM, TP NT$126)
G-Tech (3149.TW, NT$77.4, OUTPERFORM, TP NT$104)
Gafisa (GFSA3, R$4.04, NEUTRAL, TP R$4.5)
Gold Fields (GFIJ.J, R109.2, NEUTRAL, TP R131)
Hiwin (2049.TW, NT$191.5, UNDERPERFORM, TP NT$155)
Hon Hai Precision (2317.TW, NT$89.8, NEUTRAL, TP NT$100)
Kumba Iron Ore (KIOJ.J, R529.4, UNDERPERFORM, TP R370)
Kunlun Energy (0135.HK, HK$15, OUTPERFORM, TP HK$17.9)
Land and Houses (LH.BK, Bt9, OUTPERFORM, TP Bt9.7)
MOL (MOLB.BU, Ft18735, OUTPERFORM, TP Ft21200)
MTN Group (MTNJ.J, R170.15, NEUTRAL, TP R175)
Microsoft Corporation (MSFT, US$27.06, OUTPERFORM, TP US$38)
New China Life (1336.HK, HK$25, OUTPERFORM, TP HK$34)
Novatek Microelectronics Corp Ltd (3034.TW, NT$111.5, OUTPERFORM, TP NT$135)
Oceana Ltd (OCEJ.J, R63.9, OUTPERFORM, TP R68.4995954161585)
Oi SA (OIBR4, R$8.3, NEUTRAL, TP R$9)
PGE (PGE.WA, zł17.68, UNDERPERFORM, TP zł18.9)
PZU SA (PZU.WA, zł386, NEUTRAL, TP zł380)
Pegatron (4938.TW, NT$36.3, OUTPERFORM, TP NT$46)
Perusahaan Gas Negara (PGAS.JK, Rp4575, OUTPERFORM, TP Rp5600)
Radiant Opto-Electronics (6176.TW, NT$126.5, NEUTRAL, TP NT$140)
Riyad Bank (1010.SE, SAR22.9, OUTPERFORM, TP SAR30.7031476702879)
Rockwood Holdings Inc. (ROC, US$44.81, OUTPERFORM, TP US$58)
S.A.C.I. FALABELLA (FALAB, CLP$4878.4, NEUTRAL, TP CLP$4400)
SABMiller (SAB.L, 2701p, OUTPERFORM, TP 2950p)
Supalai Public Company Limited (SPAL.BK, Bt18, OUTPERFORM, TP Bt20.1)
TIM Participacoe (TIMP3, R$8.01, UNDERPERFORM, TP R$8.5)
TPK Holdings (3673.TW, NT$423, OUTPERFORM, TP NT$495)
Telefonica Brasil (VIVT4, R$47.99, OUTPERFORM, TP R$57)
Tianqi Lithium Industries, Inc. (002466.SZ, Rmb29.63, UNDERPERFORM, TP Rmb17.3)
Wintek Corp (2384.TW, NT$11.85, NEUTRAL, TP NT$12.6)
WuXi PharmaTech (WX.N, US$15.47, OUTPERFORM, TP US$18)
Yanzhou Coal Mining Co. (1171.HK, HK$11.46, UNDERPERFORM, TP HK$7.1)
Yapi Kredi Bank (YKBNK.IS, TL4.67, OUTPERFORM, TP TL5.41)
Young Fast Optoelectronics (3622.TW, NT$61.6, NEUTRAL, TP NT$53)

Disclosure Appendix

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