

## Plantation

### Rising Production A Stumbling Block

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**UNDERWEIGHT**



Production in 4QCY19 is expected to pick up sturdily, entering into peak production season, while exports are likely to be dealt a blow following India's 5% import tariff increase on Malaysian refined palm oil. We highlight the possibility of further downside to exports as the data in September captured some shipments which have already been loaded onto the cargo ship prior to the import tariff increase. Overall, we expect supply to outstrip demand in 2H19, leading to burgeoning stockpiles (likely reaching 2.5-3.0m MT level), capping CPO price upside. Additionally, negative sentiment continues to plague the industry with the EU's regulation to limit palm oil consumption for biofuel use at 2019 levels up to 2023, and gradually reduce further through 2030 until an eventual phase-out. Valuations also remain unattractive as our planters are currently trading at, on average -1.0SD from their respective mean PER/PBV vs. -2.0SD in 4QCY18, against a similar backdrop. A relief factor is the new biodiesel mandates from Indonesia (B20) and Malaysia (B10/7 for transport/industrial sector), which are expected to absorb c.11% and c.4% of the respective country's CPO production. The figures could increase further (Indonesia: c.17%; Malaysia: c.7%) on higher biodiesel mandates currently in studies (Indonesia B30; Malaysia B20/10 for transport/industrial sector). All-in, we believe CPO prices will remain under pressure in 4Q19, potentially trading in the range of RM1,900-2,200/MT. Maintain our UNDERWEIGHT stance on the sector with an unchanged 2019 CPO price target of RM2,000/MT. Nevertheless, should there be signs of lower-than-expected production or stronger-than-expected Chinese and/or biodiesel demand, resulting in falling stockpiles and a sharp recovery in CPO prices, we would review our sector call and TPs of planters under our coverage.



**Outlook is still dim.** An expected rise in stockpiles in 4QCY19 and recent negative news flows are expected to continue to exert pressure on CPO prices, dampening near-term prospects of planters under our coverage. Alongside unattractive valuations, we are maintaining our UNDERWEIGHT stance on the plantation sector with an unchanged 2019 CPO price target of RM2,000/MT.

**Stockpiles to rise in the remaining 2H.** Checks with a few local planters reveal that production is on track to pick up sturdily in 4QCY19 (from 1.5-1.7m in the past few months to 1.8-2.1m). Meanwhile, Malaysian exports volume are likely to be dealt a blow following India's 5% import tariff increase, effected on 4-Sep-2019 (from 45% to 50%) on Malaysian refined palm oil. Based on cargo surveyors' (AmSpec, Intertek and SGS) data for September, total exports have seen an average decline of 20% MoM. Additionally, the decline in exports is likely to continue and there could be further downside to exports as the data in September captured some shipments which have already been loaded onto the cargo ship prior to the import tariff increase. Overall, we expect supply to outstrip demand in 2H19, leading to burgeoning stockpiles (likely reaching 2.5-3.0m MT level), capping CPO price upside.

**4Q19 to improve but rising risks for subsequent quarters.** Based on MPOB, QTD 3QCY19 average CPO price (*report's cut-off date on 20-Sep-2019*) have increased (+2%) to RM2,015/MT (vs. RM1,978/MT in 2QCY19). Alongside an expected increase in FFB output leading up to peak production season, we believe planters under our coverage, especially the upstream players could see earnings improvement in the coming reporting quarter. Having said that, we caution that subsequent quarters could disappoint, as we believe an expected rise in stockpiles will exert pressure on CPO prices.

**Valuations remain unattractive.** Planters under our coverage are currently trading at, on average, -1.0SD (range: -2.0 to +1.0SD) from their respective mean PER/PBV. Notwithstanding, we believe the current valuations are still unwarranted as the companies were mostly trading at -2.0SD in 4QCY18, during which CPO price was hovering around RM1,700-2,100/MT (similar to the current situation). We also underscore that the heyday of high ROEs is observably over for planters (see Exhibit 4), which reinforces our view that valuations could derate further.



04 October 2019

**EU's proposed ban on palm oil biofuel dampens prospects.** The European Commission has drafted a regulation to limit palm oil consumption for biofuel use at 2019 levels up to 2023, with further gradual reduction through 2030 until an eventual phase-out. According to data from the EU Parliament, 46% of total palm oil imports into the EU is used for biofuels. The proposal has triggered a backlash among Malaysian and Indonesian leaders, who are currently deliberating undesirable options such as boycotting imports from the EU or taking the matter to the World Trade Organization (WTO). For both Malaysia and Indonesia, we believe boycotting will be unavailing, seeing that both countries are net exporters to the EU. The slight comfort we currently derive is that the implementation timeline allows some breathing space for both the countries to explore new markets such as North Africa and the Middle East, offering a reprieve from burgeoning stockpiles in the immediate term.

**ENSO neutral conditions not helping stockpiles.** According to the World Meteorological Organization (WMO), sea surface temperatures (SST) in the tropical Pacific Ocean were at weak El Niño levels (0.5-0.9°C above average SST) from April to June 2019. Nevertheless, in July, SST in the tropical Pacific Ocean returned to ENSO-neutral levels (0.1-0.5°C above average SST) and current signs are indicating that the neutral conditions will sustain through to November 2019 with a 60% probability. Typically, a strong El Niño event will cause a dry spell in South East Asia, which can result in fruit bunch failure and floral abortion, whereas a weak event is unlikely to impact production in a severe manner. Moving forward, with neutral conditions to reign and minimal impact from the previous weak El Niño, production is unlikely to be affected and should continue its growth trajectory. For verification, we gathered from several planters that FFB production has been normal and on track to pick up sturdily, entering into peak production season.

**Biodiesel mandates to lend some support.** Indonesia's extension of 20% biodiesel blending (B20) mandate to the non-Public Sector Obligation (non-PSO) and Malaysia's implementation of B10/B7 for the transport/industrial sector should lend some support to capping the increase in stockpiles. In Indonesia, CPO consumption for biodiesel use is expected to reach 5m MT in 2019 (c.11% of Indonesia's annual CPO production) vs. c.3m MT in 2018 after last year's extension of B20 to non-PSO sector. The consumption could further increase by another 3m MT to 8m MT (c.17% of Indonesia's CPO output) upon B30 implementation, which is being studied currently. As we understand, Indonesia has begun conducting road tests for diesel vehicles running on B30 fuel with expected completion by October 2019. Locally, Malaysia's new biodiesel mandates effected in December 2018 are expected to absorb 761k MT (c.4%) of CPO production vs. c.350k MT last year. Meanwhile, the government targets to implement B20/B10 for the transport/industrial sector by 2020 which is expected to absorb 1.3m MT (c.7%) of CPO production.

**Reiterate UNDERWEIGHT on the Plantation sector with unchanged 2019 CPO price target of RM2,000/MT.** Increasing production leading up to peak production period in Oct/Nov 2019 and lower exports to India after the import tariff increase are likely to lead to burgeoning stockpiles in the coming months. All-in, after weighing the potential positives and negatives above, we believe CPO prices will remain under pressure in 4Q19, potentially trading in the range of RM1,900-2,200/MT. As such, we maintain our 2019 CPO price target at RM2,000/MT (vs. spot price of RM2,097/MT and YTD average of RM1,998/MT) and UNDERWEIGHT stance on the sector. Nevertheless, should there be signs of lower-than-expected production or stronger-than-expected Chinese and/or biodiesel demand, resulting in falling stockpiles and a sharp recovery in CPO prices, we would review our sector call and TPs of planters under our coverage.

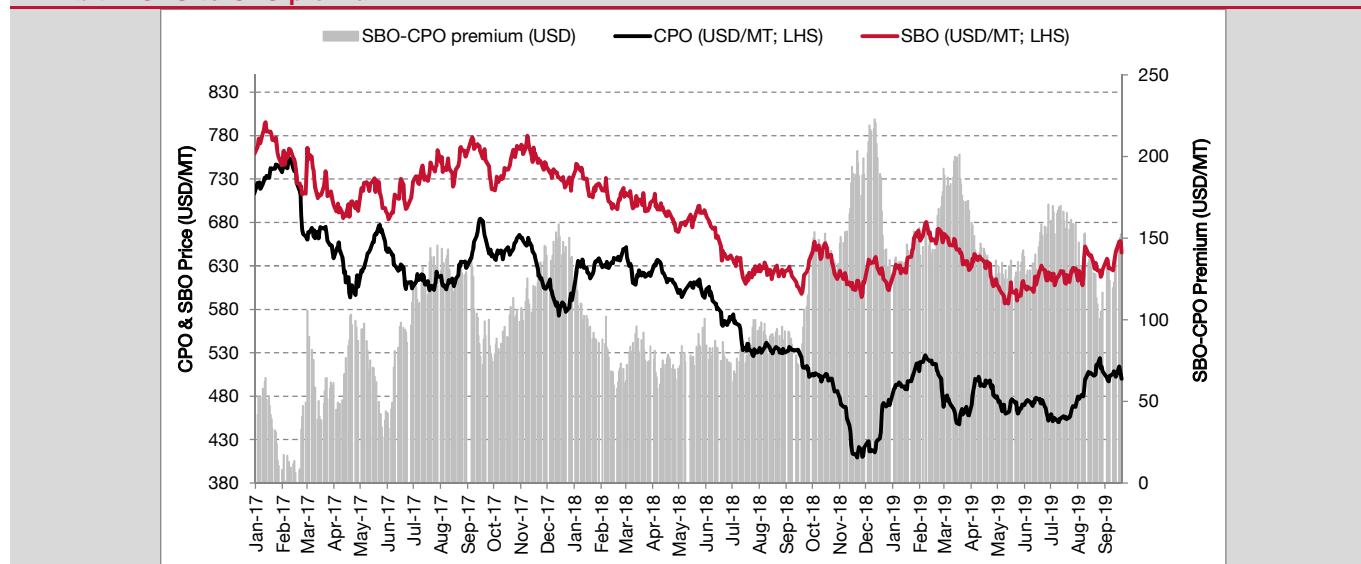
- (i) **Maintain MARKET PERFORM on FGV with a lower target price of RM0.945** based on a lower PBV of 0.76x (from 0.82x), reflecting -1.5SD from mean, considering that the group still requires more time to return to profitability and is still expected to remain in losses in the reporting quarter to come (4Q19). While pick-up in FFB output should bring production cost down, this could be masked by higher fertilizer cost with c.65% to be applied in 2H19.
- (ii) **Maintain MARKET PERFORM on IJMLNT with a higher target price of RM1.50 (from RM1.40)** based on a higher PBV of 0.76x (from 0.71x) reflecting close to -1.0SD from mean. Our valuation multiple upgrade is grounded on our view of subsiding risk as we expect IJMLNT to return to the black in subsequent quarter, driven by FFB growth and slightly stronger CPO prices. Based on MPOB data, 2Q20 CPO prices have increased (+2%) to RM2,018/MT, while QTD 2QY20, its FFB output (Jul & Aug 2019) has increased 11%.

Exhibit 1: El Nino occurrences

	Start/End Year	Duration (months)	Range of above-average SST	Strength of El Nino	Years till next El Nino	Years till next Strong El Nino
	1951/1952	8	0.6-1.2	Moderate		
	1953/1954	13	0.6-0.8	Weak	2	
	1957/1958	16	0.7-1.8	Strong	4	
	1958/1959	5	0.5-0.6	Weak	1	
	1963/1964	9	0.5-1.4	Moderate	5	
	1965/1966	12	0.5-2.0	Strong	2	8
	1968/1969	8	0.5-1.1	Moderate	3	
	1969/1970	6	0.5-0.9	Weak	1	
	1972/1973	11	0.5-2.1	Strong	3	7
	1976/1977	6	0.6-0.9	Weak	4	
	1977/1978	5	0.6-0.8	Weak	1	
	1979/1980	5	0.5-0.6	Weak	2	
	1982/1983	15	0.5-2.2	Strong	3	10
	1986-1988	18	0.5-1.7	Strong	4	4
	1991/1992	14	0.5-1.7	Strong	5	5
	1994/1995	7	0.5-1.1	Moderate	3	
	1997/1998	13	0.5-2.4	Strong	3	6
	2002/2003	9	0.6-1.3	Moderate	5	
	2004/2005	8	0.5-0.7	Weak	2	
	2006/2007	5	0.5-0.9	Weak	2	
	2009/2010	9	0.5-1.6	Strong	3	12
	2014-2016	19	0.5-2.6	Strong	5	5
	<b>Average</b>	<b>10</b>	<b>N.M.</b>	<b>N.M.</b>	<b>3</b>	<b>7</b>

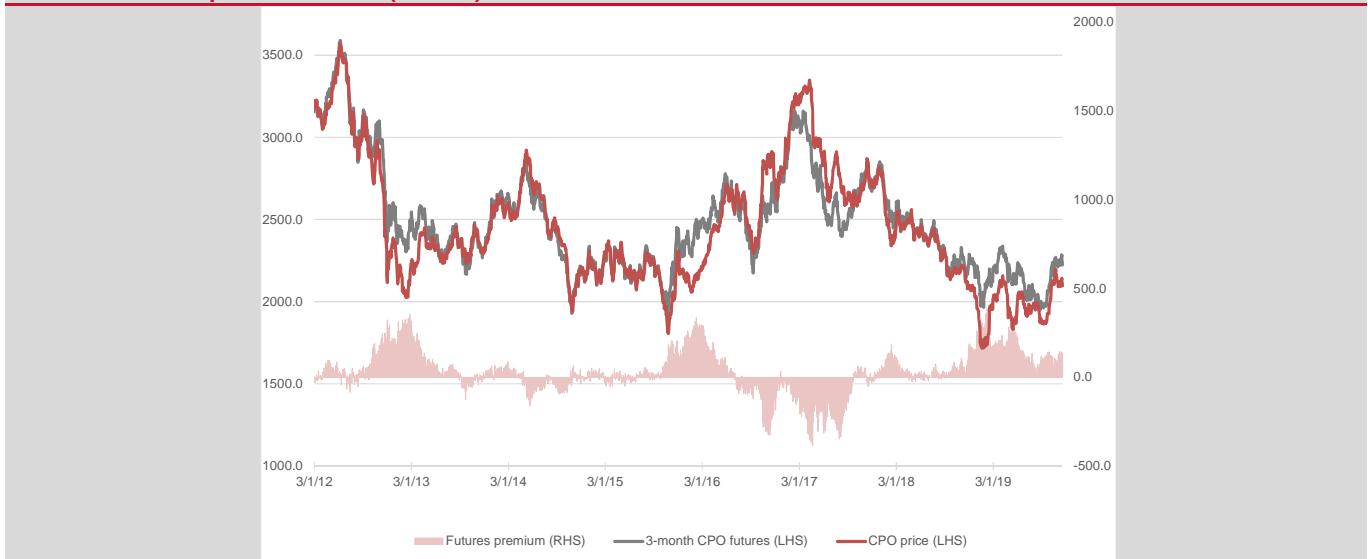
Source: Kenanga Research; NOAA

Exhibit 2: SBO-to-CPO premium



Source: Bloomberg; Kenanga Research

Exhibit 3: CPO Spot vs. Futures (RM/MT)



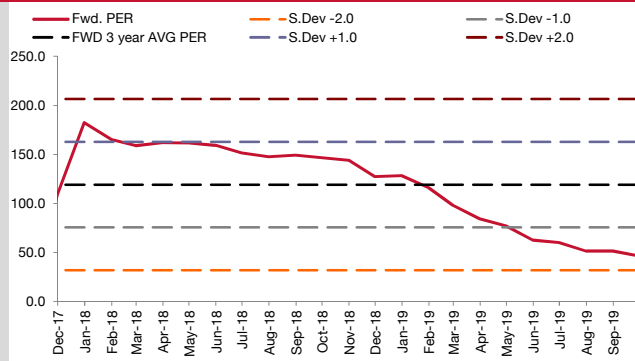
Source: Bloomberg; Kenanga Research

Exhibit 4: ROE trends

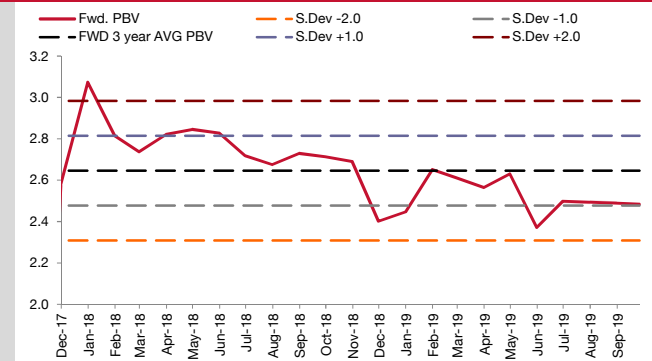
	ROE %												
	FY8	FY9	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19A/E	FY20E
<b>CBIP</b>	28.5	16.6	23.4	27.9	49.5	17.9	15.2	14.3	14.8	7.2	6.2	4.4	6.2
<b>FGV</b>	n.a.	n.a.	n.a.	22.7	11.5	11.3	5.7	0.5	-3.2	1.9	-4.9	-2.7	-0.4
<b>GENP</b>	15.7	9.0	10.9	13.2	8.8	6.3	9.1	4.5	6.6	7.4	3.5	3.9	5.6
<b>HSPLANT</b>	7.9	6.0	9.6	13.5	7.4	5.1	6.6	4.8	6.1	6.4	1.8	0.4	1.7
<b>IJMLNT</b>	18.3	14.8	6.8	11.2	11.9	8.6	6.4	5.4	2.1	6.3	4.0	-0.6	0.5
<b>IOICORP</b>	23.9	10.1	18.1	16.4	8.8	9.0	22.9	1.0	9.1	8.6	13.2	6.8	9.8
<b>KLK</b>	18.9	10.9	14.7	20.8	13.9	11.5	12.0	8.3	10.6	8.3	6.6	5.7	7.0
<b>PPB</b>	n.a.	n.a.	n.a.	n.a.	n.a.	6.3	5.6	5.7	5.1	5.8	5.1	5.2	5.3
<b>SAB</b>	n.a.	n.a.	n.a.	n.a.	4.9	8.6	8.3	6.0	5.6	7.6	6.6	2.9	3.7
<b>SIMEPLT</b>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	8.5	10.2	10.0	1.7	1.9	6.4
<b>TAANN</b>	5.8	9.5	8.9	16.6	6.5	9.0	11.4	15.5	9.2	8.5	5.8	2.3	4.8
<b>TSH</b>	8.2	8.9	8.9	10.4	6.5	13.2	10.6	1.9	5.5	7.2	3.6	3.3	4.6
<b>UMCCA</b>	11.2	8.1	6.4	7.8	8.1	4.4	3.9	2.8	2.7	4.3	2.3	-2.0	-0.4

Source: Bloomberg; Kenanga Research

**SIMEPLT – Fwd Core PER Band**

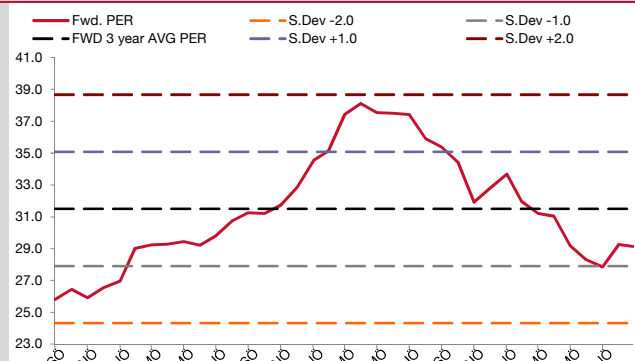


**SIMEPLT – Fwd PBV Band**

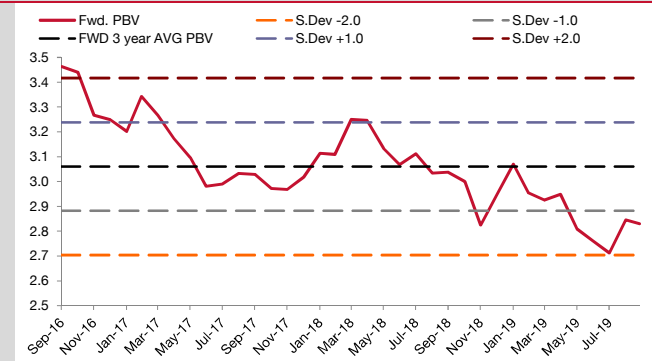


Source: Company, Kenanga Research

**IOICORP – Fwd Core PER Band**

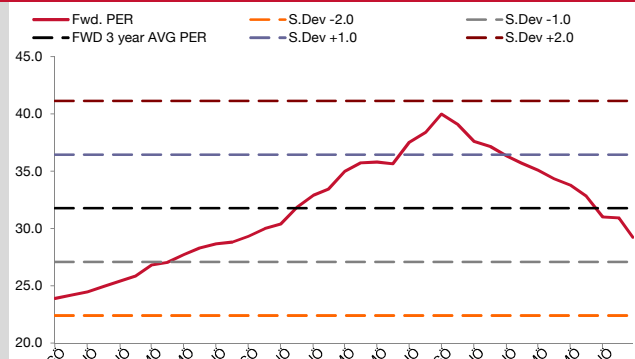


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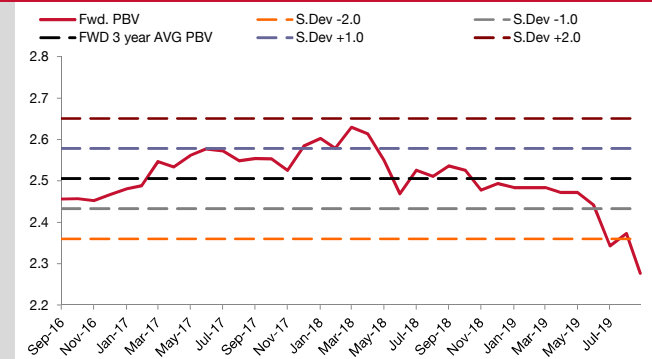


Source: Company, Kenanga Research

**KLK – Fwd Core PER Band**

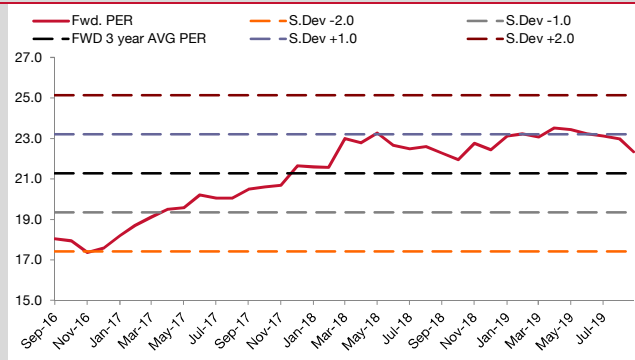


**KLK – Fwd PBV Band**

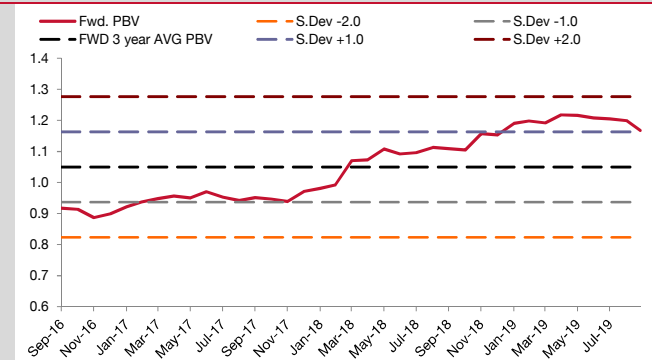


Source: Company, Kenanga Research

**PPB – Fwd Core PER Band**



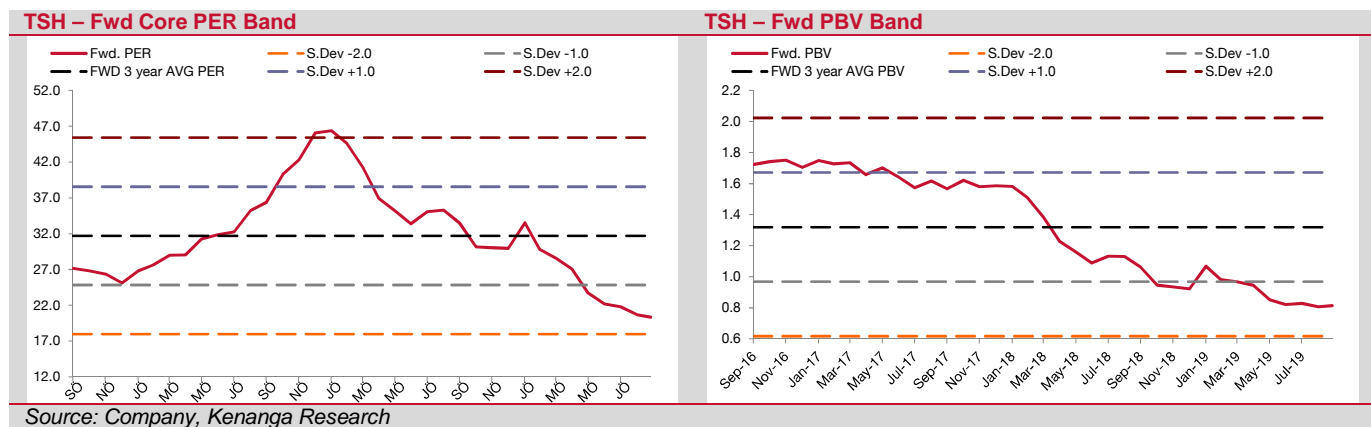
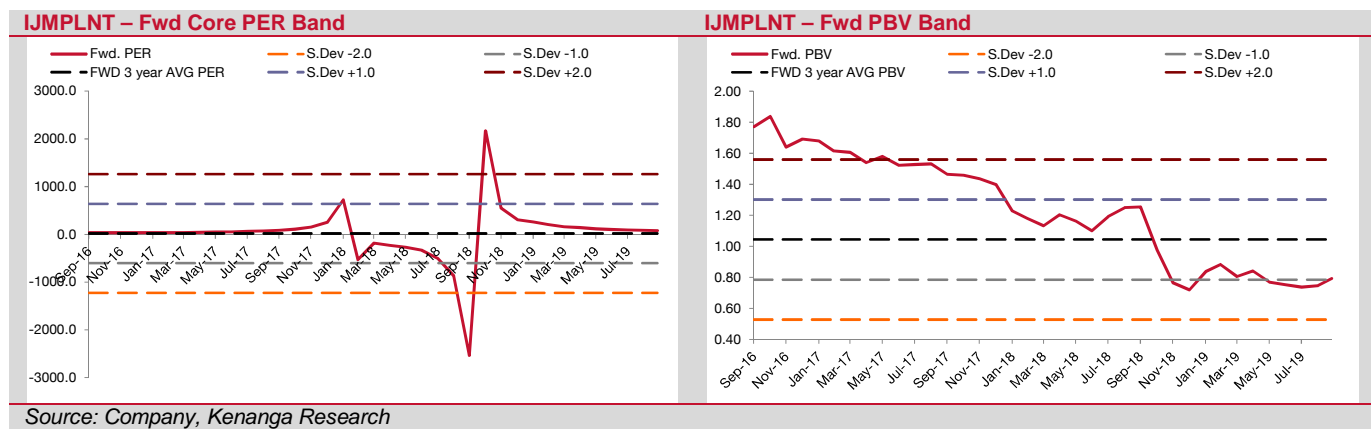
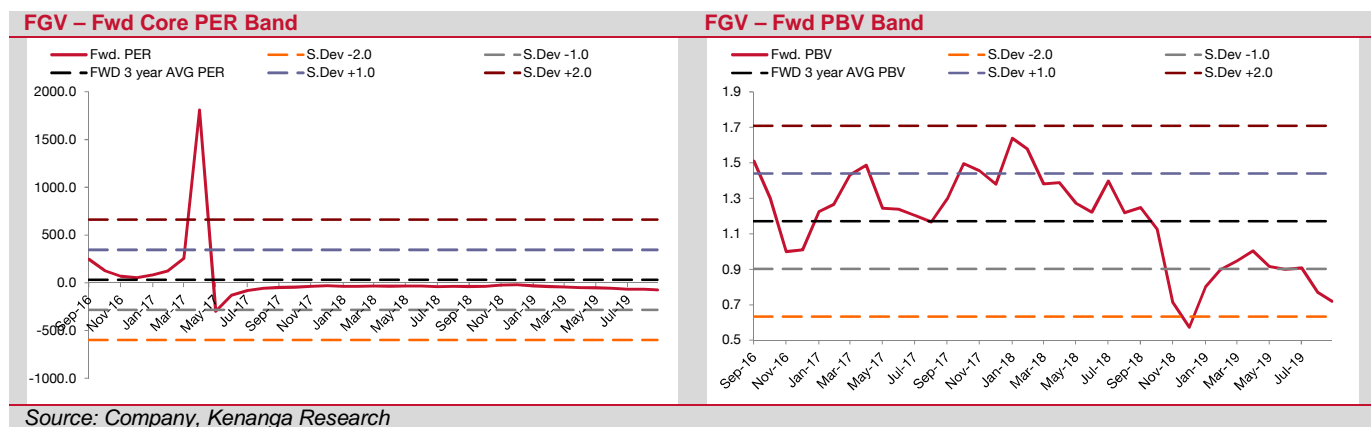
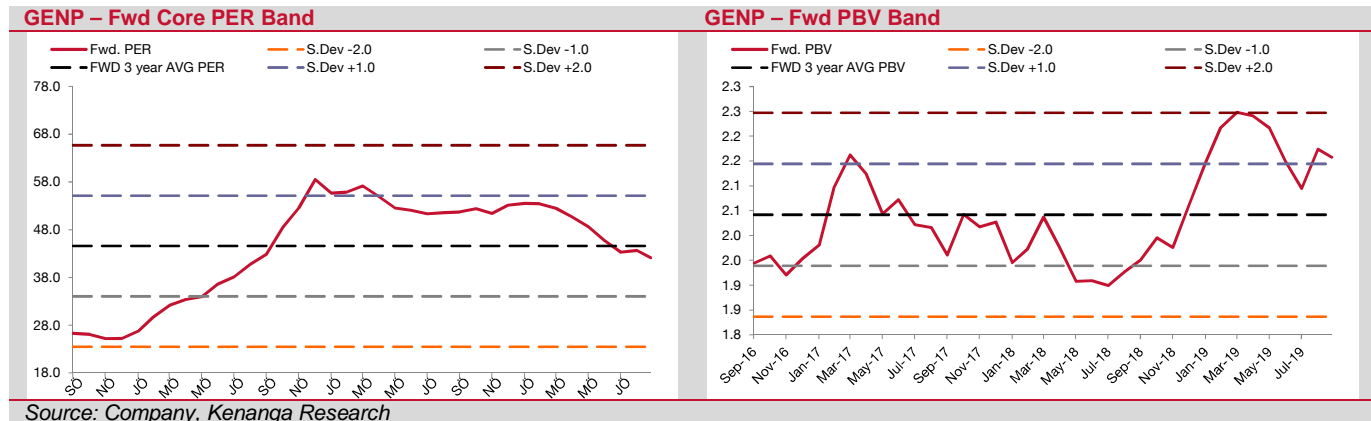
**PPB – Fwd PBV Band**



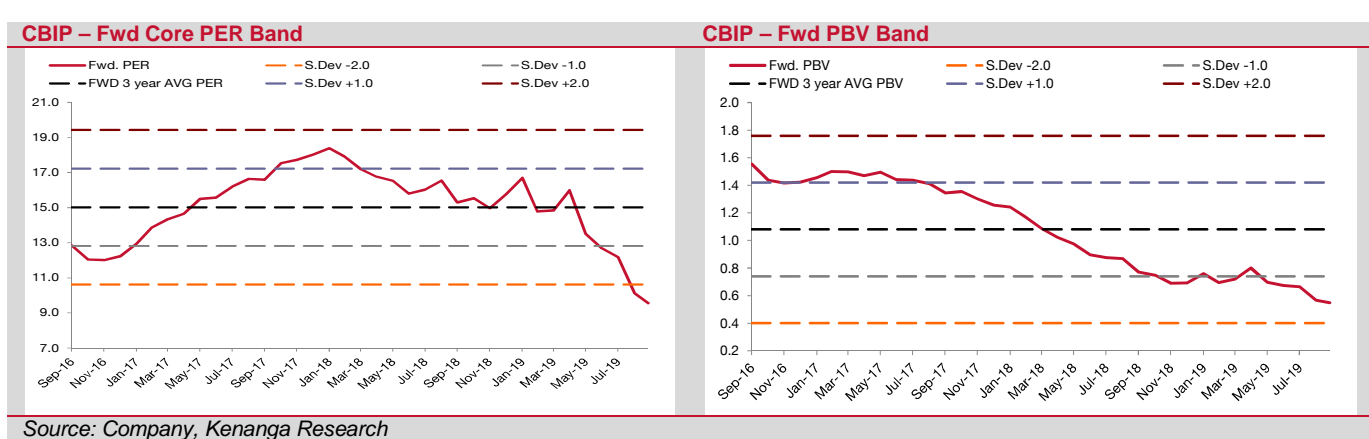
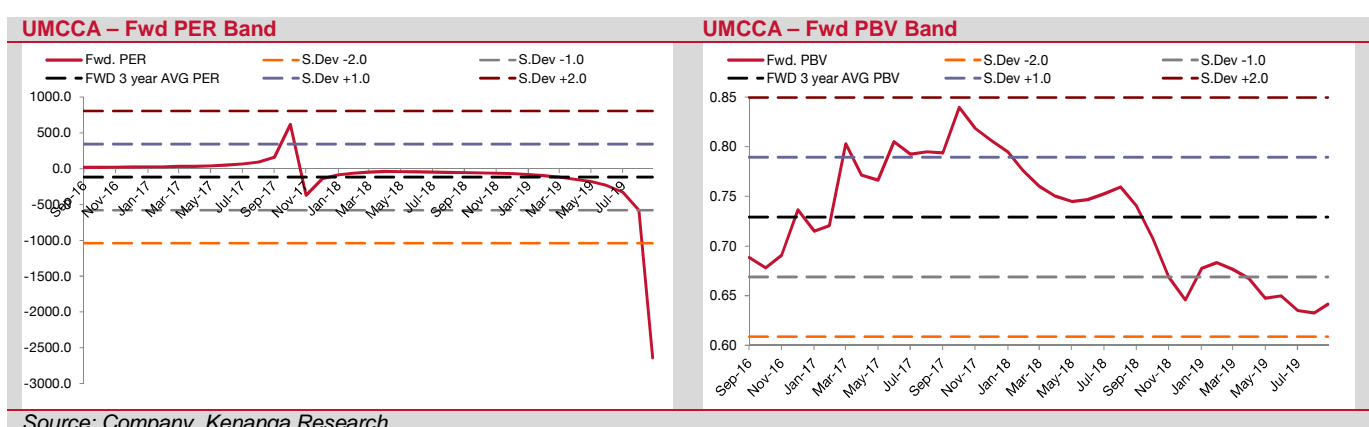
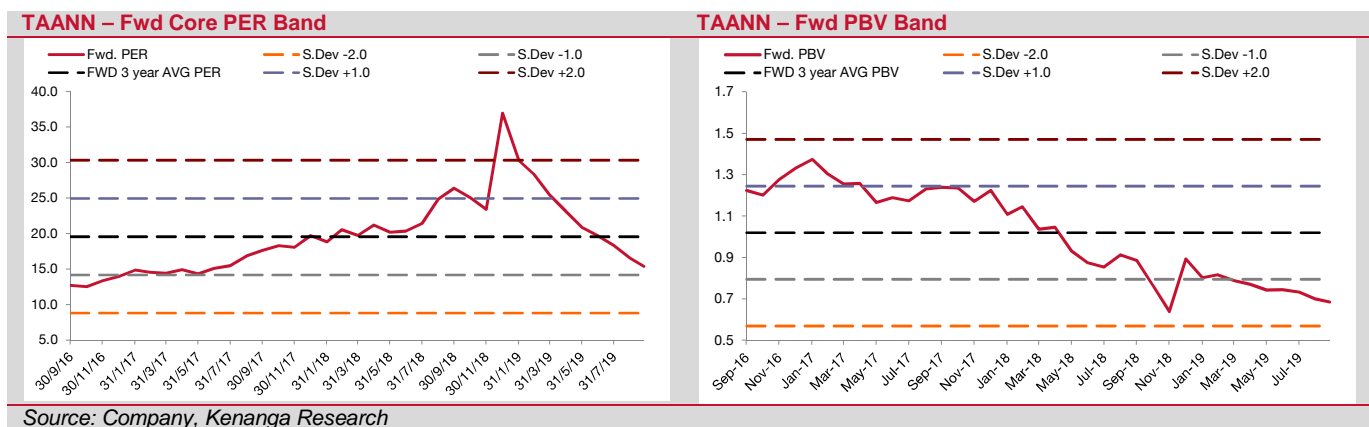
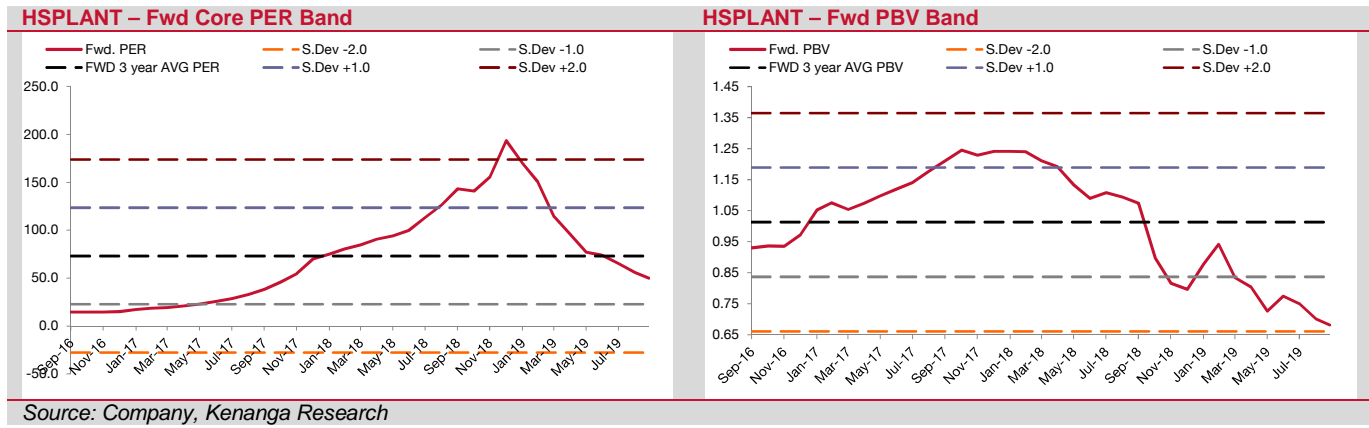
Source: Company, Kenanga Research



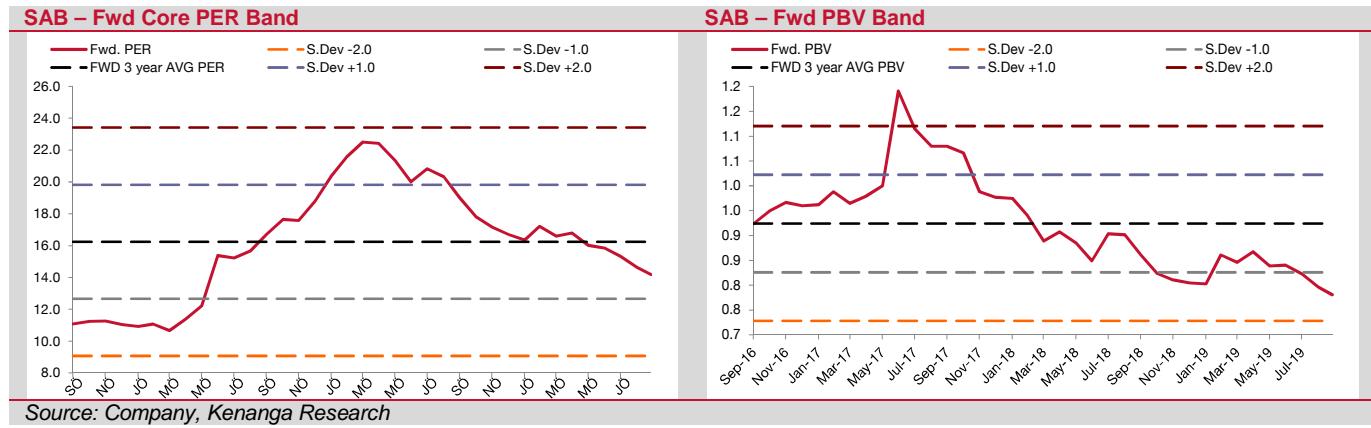
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Valuation & Justification For Calls: Pt.1

Company	Last Price (RM) @20-Sep-19	Action	New Call	Previous Call (RM)	New TP (RM)	Previous TP (RM)	Valuation basis (New)	Valuation basis (Old)	FY19/20E Earnings (RM m) - New	FY20/21E Earnings (RM m) - New	FY19/20E Earnings (RM m) - Old	FY20/21E Earnings (RM m) - Old	FY19/20E Earnings Changes (%)	FY20/21E Earnings Changes (%)	Comments
CBIP	0.815	Maintain	MP	MP	0.850	0.850	9.3x PE on CY20E earnings, reflecting -2.0SD from mean.	9.3x PE on CY20E earnings, reflecting -1.5SD from mean.	32.9	48.0	32.9	48.0	0.00%	0.00%	Decent YTD POME order-book of RM301m, providing 1-1.5 years visibility. SPV division revived by small contract award. Still expecting 1-2 more POME contract by 2H19. Dividend yield is decent at 4%.
FGV	0.895	Maintain call, lower TP	MP	MP	0.945	1.00	0.76x PBV on CY20E book value, reflecting -1.5SD from mean.	0.80x PBV on CY20E book value, reflecting -1.25SD from mean.	-123.6	-16.1	-123.6	-16.1	0.00%	0.00%	While pick-up in FFB output should bring down production cost, this should be partially masked by higher fertilizer cost (65% to be applied in 2H19) and is expected to keep FGV in the red.
GENP	9.90	Maintain	UP	UP	8.80	8.80	1.94x PBV on CY20E PBV, reflecting -1.0SD from mean	1.94x PBV on CY20E PBV, reflecting -1.0SD from mean	162.8	239.1	162.8	239.1	0.00%	0.00%	Despite above-average FFB prospects, near-term plantations will likely be impeded by rising stockpiles in 2H19, while downstream earnings could soften on higher feedstock prices.
HSPLANT	1.41	Maintain	MP	MP	1.50	1.50	0.73x PBV on CY20E book value, reflecting -2.0SD from mean.	0.73x PBV on CY20E book value, reflecting -2.0SD from mean.	6.8	27.8	6.8	27.8	0.00%	0.00%	Near-term plantation earnings will likely be impeded by the depressed CPO price environment, while FFB production outlook should be decent at best, given the old age profile of HSPLANT's trees (15.6 years vs. upstream peers' average of 8.3 years)
IJMLNT	1.55	Maintain call, increase TP	MP	MP	1.50	1.40	0.76x PBV on CY20E book value, reflecting -1.0SD from mean.	0.71x PBV on CY20E book value, reflecting -1.5SD from mean.	15.3	27.7	15.3	27.7	0.00%	0.00%	Expecting the group to return to the black in subsequent quarter on improved FFB. Nevertheless, plantation outlook still neutral as production recovery should be offset by weaker CPO price outlook

Source: Kenanga Research

Valuation & Justification For Calls: Pt.2

Company	Last Price (RM) @ 20-Sep-19	Action	New Call	Previous Call (RM)	New TP (RM)	Previous TP (RM)	Valuation basis (New)	Valuation basis (Old)	FY19/20E Earnings (RM m) - New	FY20/21E Earnings (RM m) - New	FY19/20E Earnings (RM m) - Old	FY20/21E Earnings (RM m) - Old	FY19/20E Earnings Changes (%)	FY20/21E Earnings Changes (%)	Comments
IOICORP	4.40	Maintain	MP	MP	4.10	4.10	27.2x PER on CY20E earnings, reflecting -1.0SD from mean.	27.2x PER on CY20E earnings, reflecting -1.0SD from mean.	944.0	964.3	944.0	964.3	0.00%	0.00%	Plantation outlook neutral as production recovery offset by weaker price outlook as stockpiles are expected to rise.
KLK*	23.06	Maintain	UP	UP	21.50	21.50	2.1x PBV on CY20E book value, reflecting -2.0SD from mean.	2.1x PBV on CY20E book value, reflecting -2.0SD from mean.	664.8	840.2	664.8	840.2	0.00%	0.00%	Near-term plantation earnings will likely be impeded by the depressed CPO price environment, while downstream margins are under pressure amid stiff competition from Indonesia.
PPB*	18.22	Maintain	UP	UP	15.60	15.60	SOP with Plantation segment @ 24.7x CY20E PER and Grains segment @ 21.7x CY20E PER (30% discount to QL valuation), implying mean valuation.	SOP with Plantation segment @ 24.7x CY20E PER and Grains segment @ 21.7x CY20E PER (30% discount to QL valuation), implying mean valuation.	1114.2	1175.7	1,114.2	1,175.7	0.00%	0.00%	While outlook is positive for both PPB (due to new consumer products and stronger movie line-up) and Wilmar associate (due to recovery in crush margins), valuation is overstretched. However, we note that our TP has not reflected the potential listing of Wilmar's China business due to a lack of details and unknown timeline. We will relook at our valuation basis with an upward bias pending more details.
SIMEPLT	4.89	Maintain	UP	UP	4.00	4.00	2.0x PBV on CY20E book value, reflecting -3.0SD from mean.	2.0x PBV on CY20E book value, reflecting -3.0SD from mean.	252.0	862.3	252.0	862.3	0.00%	0.00%	Near-term plantation earnings will likely be impeded by the depressed CPO price environment, while downstream margins are under pressure amid stiff competition. Valuation is also expensive at unexciting CY20 PER of 38.6x.

Source: Kenanga Research

04 October 2019

## Valuation &amp; Justification For Calls: Pt.3

Company	Last Price (RM) @ 20-Sep-19	Action	New Call	Previous Call (RM)	New TP (RM)	Previous TP (RM)	Valuation basis (New)	Valuation basis (Old)	FY19/20E Earnings (RM m) - New	FY20/21E Earnings (RM m) - New	FY19/20E Earnings (RM m) - Old	FY20/21E Earnings (RM m) - Old	FY19/20E Earnings Changes (%)	FY20/21E Earnings Changes (%)	Comments
SAB	3.58	Maintain	UP	UP	2.90	2.90	SOP with plantation segment @ 15x CY20E PER	SOP with plantation segment @ 15x CY20E PER	23.0	27.5	23.0	27.5	0.00%	0.00%	Olechemicals segment is still expected to remain under pressure amid stiff competition. Meanwhile, near term plantation earnings should remain unexciting due to depressed CPO prices
TAANN	2.11	Maintain	MP	MP	2.20	2.20	14x PER on CY20E earnings reflecting -1.0SD	14x PER on CY20E earnings reflecting -1.0SD	32.5	70.6	32.5	70.6	0.00%	0.00%	Neutral plantation outlook (production recovery offset by weaker CPO price outlook), while we anticipate log production to pick-up. Dividend yield is also decent at 4.0%.
TSH	0.900	Maintain	MP	MP	0.900	0.90	0.76x PBV on CY20E earnings, reflecting -2.0SD valuation.	0.76x PBV on CY20E earnings, reflecting -2.0SD valuation.	45.7	66.3	45.7	66.3	-0.03%	0.00%	Plantation outlook neutral as production recovery offset by depressed CPO price outlook.
UMCCA	5.15	Maintain	MP	MP	5.00	5.00	0.62x PBV on CY20E book value, reflecting -2.0SD from mean.	0.62x PBV on CY20E book value, reflecting -2.0SD from mean.	-7.5	9.5	-7.5	9.5	0.00%	0.00%	Despite recovery in FFB production, earnings are likely to be impeded by high unit cost and depressed CPO price outlook in the near term.

Source: Kenanga Research

04 October 2019

## Peer Comparison

Name	Last Price (20/9/19) (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div. Yld. (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.		
<b>STOCKS UNDER COVERAGE</b>																	
CB INDUSTRIAL PRODUCT HLDG	0.815	412.8	Y	12/2019	-23.6%	31.9%	-36.5%	45.9%	8.2	12.8	8.8	0.6	0.6	4.4%	4.9%	0.850	MP
FGV HOLDINGS BHD	0.895	3,265.1	Y	12/2019	3.1%	3.5%	-162.9%	-768.3%	N.A.	N.A.	N.A.	0.7	0.7	-2.4%	0.0%	0.945	MP
GENTING PLANTATIONS BHD	9.90	8,882.3	Y	12/2019	1.3%	6.3%	14.0%	46.9%	55.8	53.4	39.4	1.9	2.1	3.9%	1.0%	8.80	UP
HAP SENG PLANTATIONS HLDGS	1.41	1,127.6	Y	12/2019	-0.2%	10.2%	-76.7%	310.3%	38.8	166.3	40.5	0.7	0.7	0.4%	0.7%	1.50	MP
IJM PLANTATIONS BHD	1.55	1,364.9	Y	03/2020	-5.1%	11.5%	119.1%	177.8%	N.A.	154.0	55.4	0.8	0.8	0.5%	0.4%	1.50	MP
IOI CORP BHD	4.40	27,652.4	Y	06/2020	-7.7%	0.1%	24.1%	2.2%	36.4	29.3	28.7	3.0	2.9	9.9%	2.0%	4.10	MP
KUALA LUMPUR KEPONG BHD	23.06	24,558.1	Y	09/2019	-1.9%	6.5%	-25.5%	26.4%	27.5	36.9	29.2	2.4	2.3	5.8%	1.7%	21.50	UP
PPB GROUP BERHAD	18.22	25,919.8	Y	12/2019	5.4%	5.6%	18.0%	5.5%	27.4	22.2	21.4	1.2	1.2	5.4%	1.8%	15.60	UP
SIME DARBY PLANTATION BHD	4.89	33,665.6	Y	12/2019	71.0%	11.0%	14.0%	242.1%	150.5	132.0	38.6	2.5	2.5	1.9%	0.4%	4.00	UP
SOUTHERN ACIDS MALAYSIA BHD	3.58	490.2	Y	03/2020	9.7%	6.6%	32.5%	20.0%	28.3	21.4	17.8	0.8	0.8	3.8%	1.4%	2.90	UP
TA ANN HOLDINGS BERHAD	2.11	929.4	Y	12/2019	-7.8%	16.5%	-60.6%	117.0%	11.4	28.9	13.3	0.7	0.7	2.4%	1.9%	2.20	MP
TSH RESOURCES BHD	0.900	1,242.2	Y	12/2019	18.9%	12.0%	-8.2%	45.1%	25.1	27.2	18.8	0.9	0.8	3.2%	0.9%	0.900	MP
UNITED MALACCA BHD	5.15	1,079.9	Y	04/2020	15.3%	10.4%	-449.2%	78.8%	N.A.	N.A.	112.9	0.6	0.6	-0.4%	1.2%	5.00	MP
<b>Simple Average</b>					<b>6.0%</b>	<b>10.2%</b>	<b>-46.0%</b>	<b>26.9%</b>	<b>40.9</b>	<b>62.2</b>	<b>35.4</b>	<b>1.3</b>	<b>1.3</b>	<b>3.0%</b>	<b>1.4%</b>		

Source: Bloomberg, Kenanga Research

**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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Published and printed by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**

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