

8 June 2021

Consumer Non-cyclical | Food Products

CCK Consolidated (CCK MK)

Not Rated

Expanding Retail Store Footprint

Target Price (Return): MYR0.89 (+39%)
Price: MYR0.64
Market Cap: USD97.2m
Avg Daily Turnover (MYR/USD) 1.21m/0.29m

- **MYR0.89 FV based on 14x FY22F P/E.** CCK Consolidated's dominant position in East Malaysia is supported by a fully integrated supply chain and continuous growth in retail stores, which should help improve economies of scale and capture a customer base. In times of heightened hygiene awareness, we think the modernised retail stores could provide a better shopping experience and capture demand. It trades at an undemanding 10x FY22F P/E. Our valuation remains compelling vs its retail peers' 19x.
- **Largest fresh mart operator in East Malaysia.** It has 68 fresh marts, as well as one wholesale and six partner retail stores across Sarawak, Sabah and Pontianak, Indonesia that serves c.20,000 customers on a daily basis. Over time, CCK has been increasing its emphasis on its retail segment as the main revenue driver (80.4% of FY20 revenue) – of which c.50% comes from fresh chicken and chicken parts, while the balance comes from frozen products, table eggs, fresh fruits and vegetables.
- **Modernised retail stores to fulfil demand and improve the shopping experience,** especially in times of heightened hygiene awareness. The implementation of various MCOs and dine-in restrictions have led to higher demand from the retail segment, as household consumers stock up on daily necessities – which brought in overall better margins, despite flattish revenue in FY20. We expect this to continue, as consumers adapt to the new normal. Given its vertical integration and economies of scale supporting competitive pricing, we expect this to widen its customer base.
- **Fully integrated supply chain that helps cushion feed cost concerns.** Close to 100% of CCK's poultry production flows back to its own retail network, which helps to reduce the exposure to fluctuating poultry prices. It is able to partially cushion the spike in feed cost through sourcing from its established associate. Overall, we are looking at a lower FY21F PAT margin of 5.0% (FY20: 5.7%). Assuming that its feed cost normalises in FY22F, we anticipate its PAT margin to recover progressively to 5.4%.
- **Continuous expansion of retail stores capturing untapped market.** CCK is looking at opening five outlets pa over the next few years. In FY20, it opened two CCKLocal supermarkets that offer a wide range of stock keeping units (SKUs), which include food and household items. As the supermarkets are located in established neighbourhood malls with high footfall, we believe this helps to increase brand recognition and visibility among local shoppers.
- **Improving financials enables it to weather through uncertainties.** It pared down borrowings to decrease its net gearing to 0.036x in 1Q21, while its cash pile has increased, as the retail segment is largely a cash business. In view of it opening new retail stores to drive growth, we anticipate similar DPS for FY21F-23F, translating to 3-4% yields.
- **Risks.** Outbreak of poultry-related diseases, spike in feed cost prices, and heightened competition.

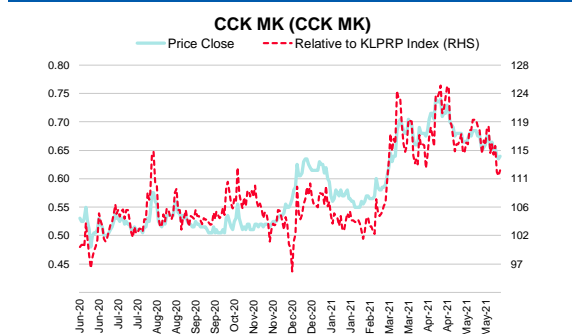
Analyst

Lim Jia Yi
+603 9280 8873
lim.jia.yi@rhbgroup.com



Share Performance (%)

| | YTD | 1m | 3m | 6m | 12m |
|----------------------------|-----|-------|-------|-------------|------|
| Absolute | 2.4 | (3.8) | 0.0 | 15.3 | 20.8 |
| Relative | 3.1 | (2.0) | (4.7) | 11.4 | 11.8 |
| 52-wk Price low/high (MYR) | | | | 0.48 – 0.74 | |



Source: Bloomberg

| Forecasts and Valuation | Dec-19 | Dec-20 | Dec-21F | Dec-22F | Dec-23F |
|---------------------------------|--------|--------|----------|----------|----------|
| Total turnover (MYRm) | 651 | 656 | 691 | 736 | 781 |
| Recurring net profit (MYRm) | 33 | 37 | 34 | 40 | 44 |
| Recurring net profit growth (%) | 28.5 | 13.0 | (8.4) | 16.2 | 11.0 |
| Recurring P/E (x) | 12.11 | 10.70 | 11.69 | 10.06 | 9.06 |
| P/B (x) | 1.5 | 1.3 | 1.2 | 1.1 | 1.1 |
| P/CF (x) | 7.96 | 6.72 | 7.53 | 6.95 | 6.38 |
| Dividend Yield (%) | 2.7 | 3.1 | 2.7 | 3.1 | 3.5 |
| EV/EBITDA (x) | 5.96 | 5.48 | 5.26 | 4.35 | 3.65 |
| Return on average equity (%) | 12.6 | 13.0 | 11.0 | 11.8 | 12.1 |
| Net debt to equity (%) | 7.2 | 1.2 | net cash | net cash | net cash |

Source: Company data, RHB

Note:

Small cap stocks are defined as companies with a market capitalisation of less than USD1bn.

Financial Exhibits

| | | | | | | |
|--|-------------------------------------|---------------|---------------|----------------|----------------|----------------|
| Asia | Financial summary (MYR) | Dec-19 | Dec-20 | Dec-21F | Dec-22F | Dec-23F |
| Malaysia | Recurring EPS | 0.05 | 0.06 | 0.05 | 0.06 | 0.07 |
| Consumer Non-cyclical | DPS | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 |
| CCK Consolidated | BVPS | 0.44 | 0.48 | 0.52 | 0.56 | 0.61 |
| CCK MK | Return on average equity (%) | 12.6 | 13.0 | 11.0 | 11.8 | 12.1 |
| Not Rated | | | | | | |
| Valuation basis | Valuation metrics | Dec-19 | Dec-20 | Dec-21F | Dec-22F | Dec-23F |
| 14x FY22F P/E | Recurring P/E (x) | 12.11 | 10.70 | 11.69 | 10.06 | 9.06 |
| | P/B (x) | 1.5 | 1.3 | 1.2 | 1.1 | 1.1 |
| | FCF Yield (%) | 6.6 | 8.6 | 8.3 | 9.4 | 10.7 |
| | Dividend Yield (%) | 2.7 | 3.1 | 2.7 | 3.1 | 3.5 |
| Key drivers | EV/EBITDA (x) | 5.96 | 5.48 | 5.26 | 4.35 | 3.65 |
| i. Modernised retail stores to fulfil demand and allow for a better shopping experience; | EV/EBIT (x) | 9.19 | 8.31 | 8.40 | 6.66 | 5.47 |
| ii. Fully integrated supply chain that helps cushion feed cost concerns; | | | | | | |
| iii. Continuous expansion of retail stores. | | | | | | |
| Key risks | Income statement (MYRm) | Dec-19 | Dec-20 | Dec-21F | Dec-22F | Dec-23F |
| i. Outbreak of poultry-related diseases; | Total turnover | 651 | 656 | 691 | 736 | 781 |
| ii. Spike in feed costs; | Gross profit | 123 | 128 | 127 | 141 | 153 |
| iii. Heightened competition | EBITDA | 63 | 66 | 64 | 72 | 78 |
| | Depreciation and amortisation | (22) | (22) | (24) | (25) | (26) |
| | Operating profit | 41 | 43 | 40 | 47 | 52 |
| | Net interest | (4) | (2) | (2) | (2) | (2) |
| | Pre-tax profit | 43 | 48 | 45 | 52 | 58 |
| | Taxation | (10) | (10) | (11) | (13) | (14) |
| | Reported net profit | 33 | 37 | 34 | 40 | 44 |
| | Recurring net profit | 33 | 37 | 34 | 40 | 44 |
| Company Profile | Cash flow (MYRm) | Dec-19 | Dec-20 | Dec-21F | Dec-22F | Dec-23F |
| CCK Consolidated has a fully integrated supply chain that consists of feedmills, breeder farms, hatchery and broiler farms, layer farms, abattoirs and retail stores. As the largest fresh mart operator in East Malaysia, its businesses are primarily in Sarawak, Sabah and Indonesia (Jakarta and Pontianak). | Change in working capital | 1.3 | 9.1 | (3.6) | (5.6) | (5.5) |
| | Cash flow from operations | 50.5 | 59.7 | 53.3 | 57.7 | 62.8 |
| | Capex | (24.0) | (25.2) | (20.0) | (20.0) | (20.0) |
| | Cash flow from investing activities | (23.9) | (22.1) | (17.0) | (20.0) | (20.0) |
| | Dividends paid | (7.9) | (11.0) | (11.0) | (12.6) | (14.1) |
| | Cash flow from financing activities | (13.7) | (21.3) | (16.3) | (24.3) | (25.7) |
| | Cash at beginning of period | 32.0 | 44.0 | 59.1 | 79.0 | 92.4 |
| | Net change in cash | 12.9 | 16.2 | 19.9 | 13.4 | 17.2 |
| | Ending balance cash | 45.2 | 59.9 | 79.0 | 92.4 | 109.6 |
| | Balance sheet (MYRm) | Dec-19 | Dec-20 | Dec-21F | Dec-22F | Dec-23F |
| | Total cash and equivalents | 44 | 59 | 79 | 92 | 110 |
| | Tangible fixed assets | 190 | 203 | 199 | 194 | 188 |
| | Total investments | 44 | 46 | 46 | 46 | 46 |
| | Total assets | 403 | 426 | 447 | 466 | 488 |
| | Short-term debt | 47 | 39 | 34 | 29 | 24 |
| | Total long-term debt | 17 | 24 | 25 | 20 | 15 |
| | Total liabilities | 126 | 125 | 123 | 115 | 106 |
| | Total equity | 276 | 301 | 324 | 352 | 382 |
| | Total liabilities & equity | 403 | 426 | 447 | 466 | 488 |
| | Key metrics | Dec-19 | Dec-20 | Dec-21F | Dec-22F | Dec-23F |
| | Revenue growth (%) | 5.9 | 0.7 | 5.3 | 6.6 | 6.1 |
| | Recurrent EPS growth (%) | 28.9 | 13.2 | (8.4) | 16.2 | 11.0 |
| | Gross margin (%) | 18.8 | 19.4 | 18.3 | 19.1 | 19.7 |
| | Operating EBITDA margin (%) | 9.7 | 10.0 | 9.2 | 9.7 | 10.0 |
| | Net profit margin (%) | 5.1 | 5.7 | 5.0 | 5.4 | 5.7 |
| | Dividend payout ratio (%) | 33.1 | 33.4 | 32.0 | 31.5 | 31.8 |
| | Capex/sales (%) | 3.7 | 3.8 | 2.9 | 2.7 | 2.6 |
| | Interest cover (x) | 10.4 | 20.1 | 21.8 | 24.7 | 29.5 |

Source: Company data, RHB

Expanding Retail Store Footprint

The largest fresh mart operator in East Malaysia

CCK is primarily in the business of retailing and poultry farming. It has a presence in Sarawak, Sabah, as well as Jakarta and Pontianak in Indonesia. Its business model is supported by a fully integrated supply chain that consists of feedmills, breeder farms, hatchery and broiler farms, layer farms, abattoirs, and retail stores. It can process c.35,000-40,000 birds per day and the layer farms produce c.240,000 eggs per day.

To the best of our knowledge, CCK is the largest fresh mart operator in East Malaysia, with a c.30% market share in Sarawak. To date, it has 68 fresh marts (56 in Sarawak and 12 in Sabah), one wholesale and six partner retail stores in Pontianak, Indonesia that serves c.20,000 customers daily. It operates retail stores (or fresh marts) under the CCK Fresh Mart brand, and supermarkets under the CCKLocal brand

Over the last few years, the group has been increasing its emphasis on the retail segment as its main revenue driver. In FY20, retail accounted for up to 80.4% of revenue, followed by poultry (14.8%), with the remaining from prawn and food services.

Under its retail segment, c.50% of revenue comes from fresh chicken and chicken parts, while the balance comes from frozen products, table eggs, fresh fruits and vegetables. As the group is in the process of adding more non-poultry SKUs to its stores, this segment may contribute closer to 70% of retail segment revenue progressively.

Figure 1: Interior of a CCK Fresh Mart retail outlet



Source: Company

Figure 2: Interior shots of a CCKLocal supermarket



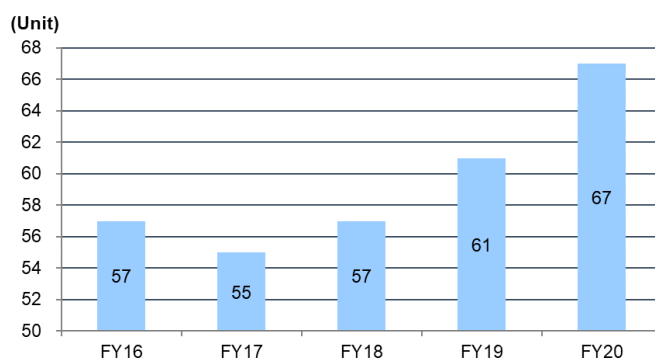
Source: Company

Figure 3: Food processing products



Source: Company

Figure 4: Number of outlets



Source: Company data

Modernised retail stores to fulfil demand and better shopping experience

With the implementation of various MCOs and dine-in restrictions, there have been changes in demand whereby its food and beverage (F&B) customers (ie hotels, restaurants, coffee shops, and school hostels) were affected by either closing down or limiting scale operations, as they are only allowed to do deliveries and takeaways.

CCK's prawn segment revenue dropped 16% YoY in FY20, mainly due to a decline in prawn exports as a result of weak global pricing and demand due to the pandemic. Additionally, its food services revenue declined 18% YoY due to the closure of schools in 1H20 and Dec 2020.

That said, this was offset by higher demand from the retail segment, as household consumers do stock up on daily necessities. More consumers adapt to the new normal by either learning to cook or increasing their cooking frequency at home, thereby leading to an increase in demand for groceries and poultry. In our view, modernised retail stores with a clean, cool and comfortable environment make for a better shopping experience to consumers, thereby helping to entice shopper footfall, especially in times of heightened hygiene awareness. The shift towards higher household consumer demand brought in overall better margins of 5.7% in FY20 (FY19: 5.1%), despite the flattish revenue growth.

According to 2019 Household Income and Basic Amenities Survey Report for Sarawak state by the Department of Statistics, c.22% of employed persons in Sarawak are in the agriculture, mining and quarrying industries. Meanwhile, CPO prices have doubled from c.USD2,000 per tonne in early Jan 2019 to c.USD4,200 per tonne in early Jun 2021, implying a potential sharp increase in disposable income among related earners.

We anticipate demand for groceries and poultry to continue growing, as the no dine-in policy and ongoing pandemic concerns are expected to encourage consumers to reduce outdoor exposure and spend a longer time indoors.

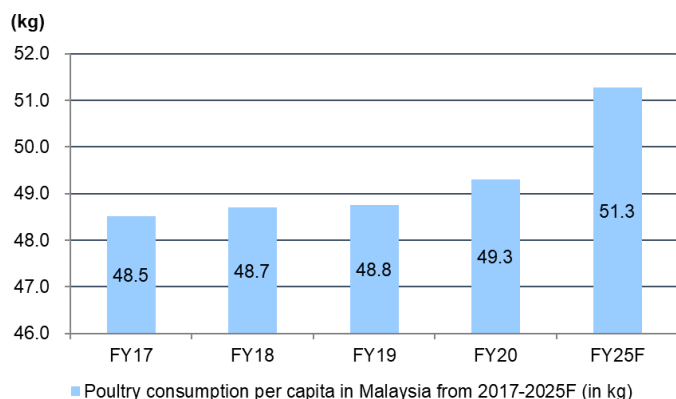
Expanded capacity in Indonesia is ready to serve

FY20 revenue growth was mainly supported by the increase in production and sales of in-house nuggets and sausage brands in Indonesia (+9.6% YoY for Indonesia sales), as demand for nuggets continued to gain momentum while sausages remained the best seller. Unlike Malaysia, Indonesia does not have a nationwide lockdown currently.

In Pontianak, Indonesia, the construction of a new factory that houses a cold room, chicken abattoir and downline food processing plant, as well as logistics centre was completed in 2020. It commenced operations in January, and the capacity has since expanded by 30% to c.390 tonnes per month. This has replaced the existing site that was unable to cater to the increasing sausage production requirement. Meanwhile, the capacity of the automated abattoir in the Kuching plant has expanded from processing c.4,000 birds per hour to 8,000 birds per hour. Having said that, it is still processing c.4,000 birds per hour at the moment.

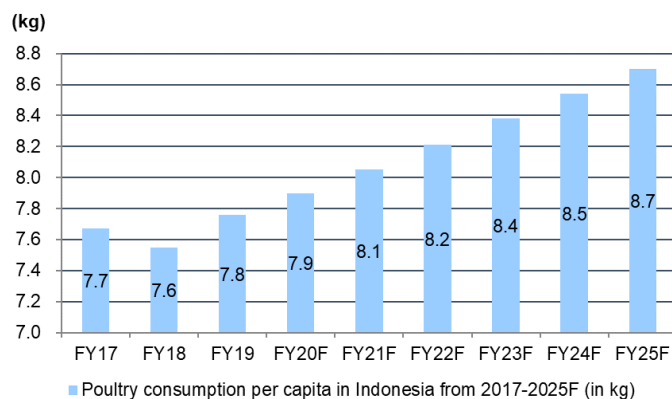
We believe that once the domestic economy picks up as COVID-19 cases decline, the recovery in demand from the hotel, restaurant and café (HORECA) segment should be able to be supported by its expanded capacity. As poultry consumption in Malaysia and Indonesia continues to grow in tandem with the increase in population, we are looking at an overall FY20-23F revenue CAGR and PAT growth of 6%.

Figure 5: Poultry consumption per capita in Malaysia



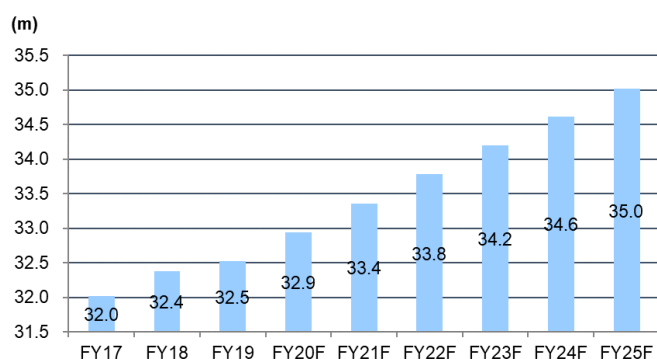
Source: Statista

Figure 6: Poultry consumption per capita in Indonesia



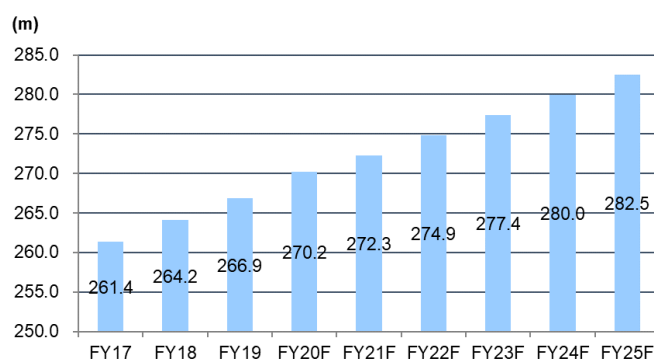
Source: Statista

Figure 7: Population of Malaysia



Source: Department of Statistics Malaysia, Statista

Figure 8: Population of Indonesia



Source: Statista

Fully integrated supply chain that helps cushion feed cost concerns

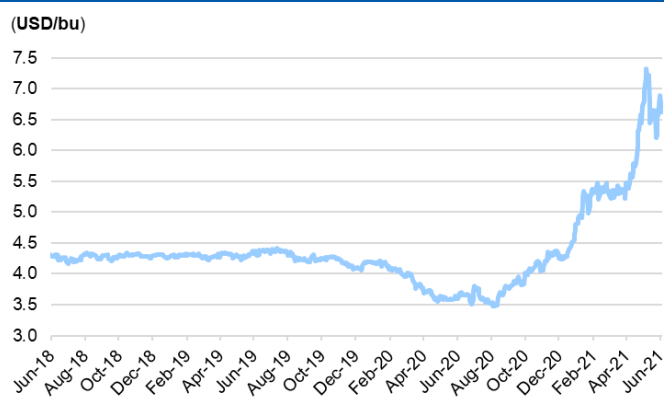
Unlike poultry producers that deal with live birds and have to grapple with fluctuating poultry prices, close to 100% of CCK's poultry production flows back to its own retail network. All of the live chickens go to processing plants in Kuching, Jakarta, and Pontianak. We think this business model helps to reduce its exposure to fluctuating poultry prices.

Also, the group sources feed from its 27.2%-owned associate, Gold Coin Sarawak – which distributes animal feed, fertilisers, agricultural chemicals, and other farm supplies on a wholesale basis. As it is a leading animal feed manufacturer in Sarawak, we believe this associate will be able to help partially cushion the spike in feed cost through bulk forward purchases of raw materials.

While corn and soybean average prices have spiked c.49% and c.61% YoY YTD, we expect these to be partially offset by higher demand from household consumers and room for adjustment in the ASPs of processed fresh chicken and parts. This, along with opening of more fresh marts and supermarkets, is expected to help a partial cost pass-through and dilute the impact from rising feed costs and FX fluctuations.

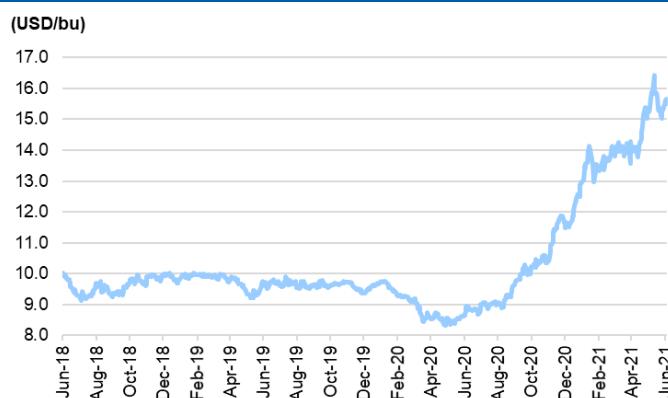
Overall, we expect it to book a lower FY21F PAT margin of 5% (FY20: 5.7%). Assuming that the feed cost normalises in FY22F, the PAT margin should recover progressively to 5.4%.

Figure 9: Corn futures



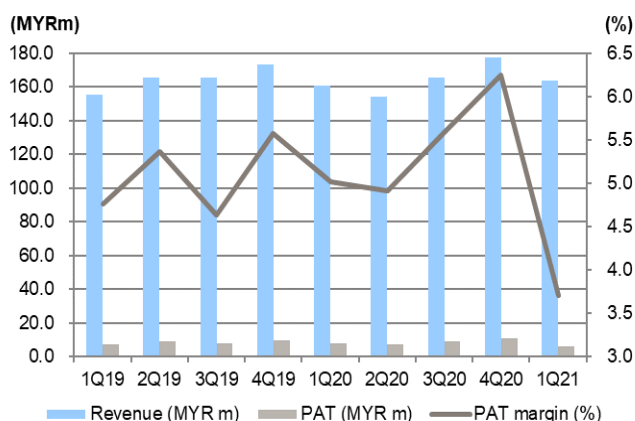
Source: Bloomberg

Figure 10: Soybean futures



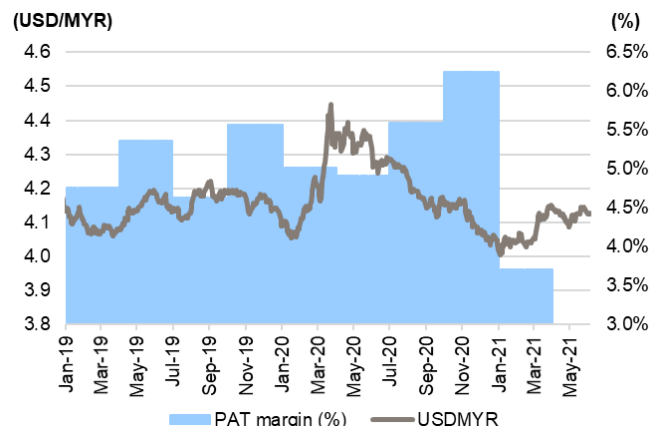
Source: Bloomberg

Figure 11: 1Q21 PAT margin impacted by higher feed costs



Source: Company data, RHB

Figure 12: USD appreciation will partially affect margins



Source: Company data, RHB

Continuous expansion of retail stores enhances local presence

In FY20, it opened two CCKLocal supermarkets – offering a wide range of SKUs that include food and household items – in Kuching and Kota Kinabalu. As the supermarkets are in established neighbourhood malls with high footfall, we believe this helps to increase brand recognition and visibility among local shoppers. Beyond that, CCK is targeting to open another two supermarkets in FY21F-22F. Besides venturing into supermarkets, the group remains committed to growing its network of fresh mart retail stores.

In 4Q21F, it expects to open a third CCKLocal in Sibu, Sarawak, as well as four fresh marts throughout FY21F. Moving forward, the group is looking at opening five outlets pa over the next few years. Assuming a combination of supermarkets and fresh marts, along with the allocation for upgrading and maintenance, we estimate FY21F-23F capex at c.MYR20m pa. On average, the payback period for a shop lot will take about three years.

While the FMCO is in place, we believe all of its retail outlets are open, since they are classified as an essential service, with all operational staff allowed to work. As such, we do not anticipate a significant disruption in operations from its retail outlets.

The increasing number of outlets providing convenience of accessibility to outlets via a wider coverage, its vertical integration, and economies-of-scale business model should improve the group's opportunities for competitive pricing. We believe this will help to boost customer retention and potentially grow CCK's market share as it continues to enhance its geographical presence.

Improving financials to weather through uncertainties

The group has been paring down borrowings progressively. Net gearing improved from 0.073x in FY17 to 0.036x in 1Q21. Its cash pile has increased from MYR37m in FY17 to MYR54m in 1Q21 while bad debts written off in FY20 were lower YoY, indicating that collection remains healthy despite pandemic concerns, as the retail segment is largely a cash business.

In view of CCK remaining committed to opening retail stores to drive growth, we anticipate its FY21-23F dividend payout ratio to remain similar to its historical ratio of c.30-35% of PAT, or 3-4% yield.

Valuation of 14x FY22F P/E is undemanding

As the largest fresh mart operator in East Malaysia with about a 30% market share in Sarawak, we think this stock deserves to be valued at a premium, at +1SD from its 3-year forward mean, as:

- Its dominance in East Malaysia is well supported by its fully integrated supply chain, which helps to better achieve economies of scale and offer competitive pricing to consumers;
- It is well-positioned to reap more profits in the future. Growing its store network has led to continuous growth in retail contribution since FY18. Given its vast experience in location selection and store management, we believe its expansion strategy to

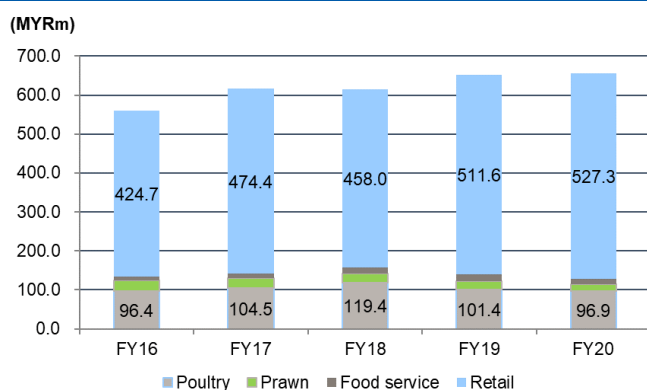
8 June 2021

Consumer Non-cyclical | Food Products

continue with opening fresh marts and venturing into supermarkets could further capture customers and boost its topline;

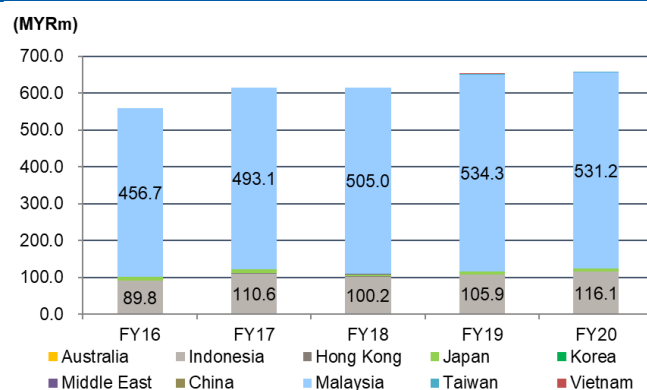
- iii. Demand for poultry products is relatively inelastic, as poultry is a cheaper source of protein. We believe the prolonged pandemic and potentially higher purchasing power among domestic consumers could continue to encourage retail spending in the near to medium term;
- iv. Post pandemic, we are looking at an upside in earnings as feed cost normalises, and demand improves in other segments (HORECA, prawn and food services);
- v. We believe it is more viable to compare CCK with retail peers instead of poultry players, as c.80% of FY20 revenue came from the retail segment. However, given its smaller market cap and poultry segment that is still susceptible to fluctuating feed cost prices, we apply a discount of c.25% from its retail peer average.

Figure 13: Revenue by segment



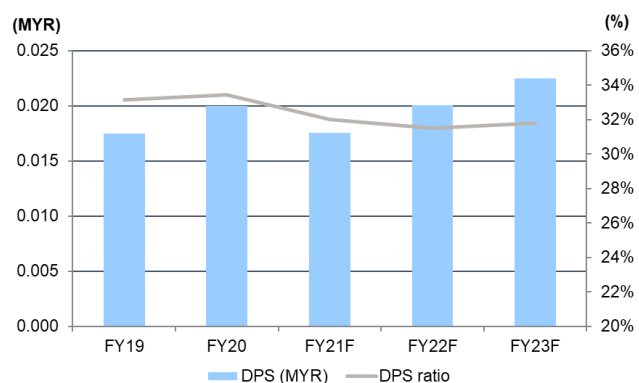
Source: Company data

Figure 14: Revenue by geographical location



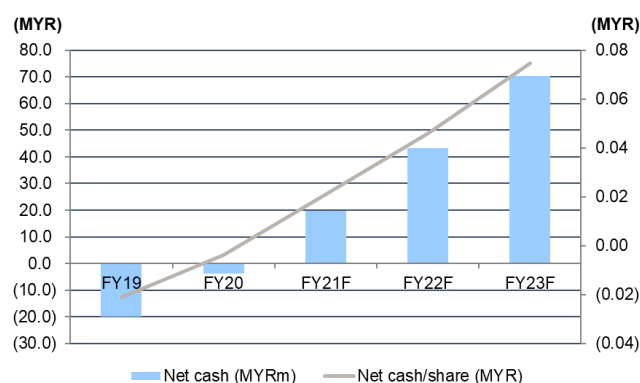
Source: Company data

Figure 15: Historical and forecasted dividends



Source: Company data

Figure 16: Historical and forecasted net gearing positions



Source: Company data, RHB

Figure 17: Peer comparison

| Company | FYE | Price | | P/E (x) | | Div. Yld (%) | ROE (%) | P/BV (x) | NP growth (%) | |
|-------------------------|-----|------------|----------------|-------------|-------------|--------------|-------------|------------|---------------|----------|
| | | 4 Jun 2021 | Mkt cap (MYRm) | | | 1-yr fwd | 1-yr fwd | 1-yr fwd | 1-yr fwd | 2-yr fwd |
| | | (MYR) | | 1-yr fwd | 2-yr fwd | | | | | |
| Padini Holdings | Jun | 2.87 | 1,888 | 31.0 | 17.4 | 2.2 | 7.9 | 3.2 | (17.4) | 77.8 |
| Aeon Co (M) | Dec | 1.29 | 1,811 | 20.0 | 15.9 | 2.2 | 5.5 | 1.1 | 122.0 | 25.7 |
| Berjaya Food | Jun | 1.98 | 704 | 16.8 | 15.5 | 1.2 | 12.0 | 2.1 | (325.9) | 8.6 |
| Mynews | Oct | 0.945 | 645 | 81.7 | 26.4 | 0.6 | 3.5 | 2.3 | (181.8) | 209.8 |
| Innateure | Dec | 0.69 | 487 | 18.4 | 14.5 | 0.0 | 0.0 | 3.2 | 33.3 | 27.0 |
| Bonia Corp | Jun | 0.905 | 181 | 9.2 | 8.1 | 1.9 | 5.9 | 0.5 | 626.8 | 13.4 |
| 7-Eleven Malaysia | Dec | 1.47 | 1,656 | 27.8 | 23.5 | 2.5 | 73.7 | 18.7 | 103.6 | 18.3 |
| Weighted average | | | | 29.3 | 18.6 | 1.9 | 20.4 | 1.5 | | |
| CCK Consolidated | Dec | 0.64 | 401 | 11.7 | 10.1 | 2.7 | 11.0 | 1.2 | (8.4) | 16.2 |

Source: Bloomberg, RHB

Recommendation Chart



Source: RHB, Bloomberg

| Date | Recommendation | Target Price | Price |
|------------|----------------|--------------|-------|
| 2021-06-04 | | | |

Source: RHB, Bloomberg

RHB Guide to Investment Ratings

| | |
|---------------------|--|
| Buy: | Share price may exceed 10% over the next 12 months |
| Trading Buy: | Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain |
| Neutral: | Share price may fall within the range of +/- 10% over the next 12 months |
| Take Profit: | Target price has been attained. Look to accumulate at lower levels |
| Sell: | Share price may fall by more than 10% over the next 12 months |
| Not Rated: | Stock is not within regular research coverage |

Investment Research Disclaimers

RHB has issued this report for information purposes only. This report is intended for circulation amongst RHB and its affiliates' clients generally or such persons as may be deemed eligible by RHB to receive this report and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. This report is not intended, and should not under any circumstances be construed as, an offer or a solicitation of an offer to buy or sell the securities referred to herein or any related financial instruments.

This report may further consist of, whether in whole or in part, summaries, research, compilations, extracts or analysis that has been prepared by RHB's strategic, joint venture and/or business partners. No representation or warranty (express or implied) is given as to the accuracy or completeness of such information and accordingly investors should make their own informed decisions before relying on the same.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to the applicable laws or regulations. By accepting this report, the recipient hereof (i) represents and warrants that it is lawfully able to receive this document under the laws and regulations of the jurisdiction in which it is located or other applicable laws and (ii) acknowledges and agrees to be bound by the limitations contained herein. Any failure to comply with these limitations may constitute a violation of applicable laws.

All the information contained herein is based upon publicly available information and has been obtained from sources that RHB believes to be reliable and correct at the time of issue of this report. However, such sources have not been independently verified by RHB and/or its affiliates and this report does not purport to contain all information that a prospective investor may require. The opinions expressed herein are RHB's present opinions only and are subject to change without prior notice. RHB is not under any obligation to update or keep current the information and opinions expressed herein or to provide the recipient with access to any additional information. Consequently, RHB does not guarantee, represent or warrant, expressly or impliedly, as to the adequacy, accuracy, reliability, fairness or completeness of the information and opinion contained in this report. Neither RHB (including its officers, directors, associates, connected parties, and/or employees) nor does any of its agents accept any liability for any direct, indirect or consequential losses, loss of profits and/or damages that may arise from the use or reliance of this research report and/or further communications given in relation to this report. Any such responsibility or liability is hereby expressly disclaimed.

Whilst every effort is made to ensure that statement of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable and must not be construed as a representation that the matters referred to therein will occur. Different assumptions by RHB or any other source may yield substantially different results and recommendations contained on one type of research product may differ from recommendations contained in other types of research. The performance of currencies may affect the value of, or income from, the securities or any other financial instruments referenced in this report. Holders of depository receipts backed by the securities discussed in this report assume currency risk. Past performance is not a guide to future performance. Income from investments may fluctuate. The price or value of the investments to which this report relates, either directly or indirectly, may fall or rise against the interest of investors.

This report may contain comments, estimates, projections, forecasts and expressions of opinion relating to macroeconomic research published by RHB economists of which should not be considered as investment ratings/advice and/or a recommendation by such economists on any securities discussed in this report.

This report does not purport to be comprehensive or to contain all the information that a prospective investor may need in order to make an investment decision. The recipient of this report is making its own independent assessment and decisions regarding any securities or financial instruments referenced herein. Any investment discussed or recommended in this report may be unsuitable for an investor depending on the investor's specific investment objectives and financial position. The material in this report is general information intended for recipients who understand the risks of investing in financial instruments. This report does not take into account whether an investment or course of action and any associated risks are suitable for the recipient. Any recommendations contained in this report must therefore not be relied upon as investment advice based on the recipient's personal circumstances. Investors should make their own independent evaluation of the information contained herein, consider their own investment objective, financial situation and particular needs and seek their own financial, business, legal, tax and other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report.

This report may contain forward-looking statements which are often but not always identified by the use of words such as "believe", "estimate", "intend" and "expect" and statements that an event or result "may", "will" or "might" occur or be achieved and other similar expressions. Such forward-looking statements are based on assumptions made and information currently available to RHB and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement to be materially different from any future results, performance or achievement, expressed or implied by such forward-looking statements. Caution should be taken with respect to such statements and recipients of this report should not place undue reliance on any such forward-looking statements. RHB expressly disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

The use of any website to access this report electronically is done at the recipient's own risk, and it is the recipient's sole responsibility to take precautions to ensure that it is free from viruses or other items of a destructive nature. This report may also provide the addresses of, or contain hyperlinks to, websites. RHB takes no responsibility for the content contained therein. Such addresses or hyperlinks (including addresses or hyperlinks to RHB own website material) are provided solely for the recipient's convenience. The information and the content of the linked site do not in any way form part of this report. Accessing such website or following such link through the report or RHB website shall be at the recipient's own risk.

This report may contain information obtained from third parties. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content.

The research analysts responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously. The research analysts that authored this report are precluded by RHB in all circumstances from trading in the securities or other financial instruments referenced in the report, or from having an interest in the company(ies) that they cover.

The contents of this report is strictly confidential and may not be copied, reproduced, published, distributed, transmitted or passed, in whole or in part, to any other person without the prior express written consent of RHB and/or its affiliates. This report has been delivered to RHB and its affiliates' clients for information purposes only and upon the express understanding that such parties will use it only for the purposes set forth above. By electing to view or accepting a copy of this report, the recipients have agreed that they will not print, copy, videotape, record, hyperlink, download, or otherwise attempt to reproduce or re-transmit (in any form including hard copy or electronic distribution format) the contents of this report. RHB and/or its affiliates accepts no liability whatsoever for the actions of third parties in this respect.

The contents of this report are subject to copyright. Please refer to Restrictions on Distribution below for information regarding the distributors of this report. Recipients must not reproduce or disseminate any content or findings of this report without the express permission of RHB and the distributors.

The securities mentioned in this publication may not be eligible for sale in some states or countries or certain categories of investors. The recipient of this report should have regard to the laws of the recipient's place of domicile when contemplating transactions in the securities or other financial instruments referred to herein. The securities discussed in this report may not have been registered in such jurisdiction. Without prejudice to the foregoing, the recipient is to note that additional disclaimers, warnings or qualifications may apply based on geographical location of the person or entity receiving this report.

The term "RHB" shall denote, where appropriate, the relevant entity distributing or disseminating the report in the particular jurisdiction referenced below, or, in every other case, RHB Investment Bank Berhad and its affiliates, subsidiaries and related companies.

RESTRICTIONS ON DISTRIBUTION

Malaysia

This report is issued and distributed in Malaysia by RHB Investment Bank Berhad ("RHBIB"). The views and opinions in this report are our own as of the date hereof and is subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. RHBIB has no obligation to update its opinion or the information in this report.

Thailand

This report is issued and distributed in the Kingdom of Thailand by RHB Securities (Thailand) PCL, a licensed securities company that is authorised by the Ministry of Finance, regulated by the Securities and Exchange Commission of Thailand and is a member of the Stock Exchange of Thailand. The Thai Institute of Directors Association has disclosed the Corporate Governance Report of Thai Listed Companies made

pursuant to the policy of the Securities and Exchange Commission of Thailand. RHB Securities (Thailand) PCL does not endorse, confirm nor certify the result of the Corporate Governance Report of Thai Listed Companies.

Indonesia

This report is issued and distributed in Indonesia by PT RHB Sekuritas Indonesia. This research does not constitute an offering document and it should not be construed as an offer of securities in Indonesia. Any securities offered or sold, directly or indirectly, in Indonesia or to any Indonesian citizen or corporation (wherever located) or to any Indonesian resident in a manner which constitutes a public offering under Indonesian laws and regulations must comply with the prevailing Indonesian laws and regulations.

Singapore

This report is issued and distributed in Singapore by RHB Bank Berhad (Singapore branch) which is a holder of a full bank licence and an exempt capital markets services licence and financial adviser regulated by the Monetary Authority of Singapore. RHB Bank Berhad (Singapore branch) may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, RHB Bank Berhad (Singapore branch) accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact RHB Bank Berhad (Singapore branch) in respect of any matter arising from or in connection with the report.

United States

This report was prepared by RHB is meant for distribution solely and directly to "major" U.S. institutional investors as defined under, and pursuant to, the requirements of Rule 15a-6 under the U.S. Securities and Exchange Act of 1934, as amended (the "Exchange Act") via a registered U.S. broker-dealer as appointed by RHB from time to time. Accordingly, any access to this report via Bursa Marketplace or any other Electronic Services Provider is not intended for any party other than "major" US institutional investors (via a registered U.S broker-dealer), nor shall be deemed as solicitation by RHB in any manner. RHB is not registered as a broker-dealer in the United States and currently has not appointed a U.S. broker-dealer. Additionally, RHB does not offer brokerage services to U.S. persons. Any order for the purchase or sale of all securities discussed herein must be placed with and through a registered U.S. broker-dealer as appointed by RHB from time to time as required by the Exchange Act Rule 15a-6. For avoidance of doubt, RHB reiterates that it has not appointed any U.S. broker-dealer during the issuance of this report. This report is confidential and not intended for distribution to, or use by, persons other than the recipient and its employees, agents and advisors, as applicable. Additionally, where research is distributed via Electronic Service Provider, the analysts whose names appear in this report are not registered or qualified as research analysts in the United States and are not associated persons of any registered U.S. broker-dealer as appointed by RHB from time to time and therefore may not be subject to any applicable restrictions under Financial Industry Regulatory Authority ("FINRA") rules on communications with a subject company, public appearances and personal trading. Investing in any non-U.S. securities or related financial instruments discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in the United States. The financial instruments discussed in this report may not be suitable for all investors. Transactions in foreign markets may be subject to regulations that differ from or offer less protection than those in the United States.

DISCLOSURE OF CONFLICTS OF INTEREST

RHB Investment Bank Berhad, its subsidiaries (including its regional offices) and associated companies, ("RHBIB Group") form a diversified financial group, undertaking various investment banking activities which include, amongst others, underwriting, securities trading, market making and corporate finance advisory.

As a result of the same, in the ordinary course of its business, any member of the RHBIB Group, may, from time to time, have business relationships with, hold any positions in the securities and/or capital market products (including but not limited to shares, warrants, and/or derivatives), trade or otherwise effect transactions for its own account or the account of its customers or perform and/or solicit investment, advisory or other services from any of the subject company(ies) covered in this research report.

While the RHBIB Group will ensure that there are sufficient information barriers and internal controls in place where necessary, to prevent/manage any conflicts of interest to ensure the independence of this report, investors should also be aware that such conflict of interest may exist in view of the investment banking activities undertaken by the RHBIB Group as mentioned above and should exercise their own judgement before making any investment decisions.

In Singapore, investment research activities are conducted under RHB Bank Berhad (Singapore branch), and the disclaimers above similarly apply.

Malaysia

Save as disclosed in the following link [RHB Research conflict disclosures – May 2021](#) and to the best of our knowledge, RHBIB hereby declares that:

1. RHBIB does not have a financial interest in the securities or other capital market products of the subject company(ies) covered in this report.
2. RHBIB is not a market maker in the securities or capital market products of the subject company(ies) covered in this report.

3. None of RHBIB's staff or associated person serve as a director or board member* of the subject company(ies) covered in this report
**For the avoidance of doubt, the confirmation is only limited to the staff of research department*
4. RHBIB did not receive compensation for investment banking or corporate finance services from the subject company in the past 12 months.
5. RHBIB did not receive compensation or benefit (including gift and special cost arrangement e.g. company/issuer-sponsored and paid trip) in relation to the production of this report.

Thailand

Save as disclosed in the following link [RHB Research conflict disclosures – May 2021](#) and to the best of our knowledge, RHB Securities (Thailand) PCL hereby declares that:

1. RHB Securities (Thailand) PCL does not have a financial interest in the securities or other capital market products of the subject company(ies) covered in this report.
2. RHB Securities (Thailand) PCL is not a market maker in the securities or capital market products of the subject company(ies) covered in this report.
3. None of RHB Securities (Thailand) PCL's staff or associated person serve as a director or board member* of the subject company(ies) covered in this report
**For the avoidance of doubt, the confirmation is only limited to the staff of research department*
4. RHB Securities (Thailand) PCL did not receive compensation for investment banking or corporate finance services from the subject company in the past 12 months.
5. RHB Securities (Thailand) PCL did not receive compensation or benefit (including gift and special cost arrangement e.g. company/issuer-sponsored and paid trip) in relation to the production of this report.

Indonesia

Save as disclosed in the following link [RHB Research conflict disclosures – May 2021](#) and to the best of our knowledge, PT RHB Sekuritas Indonesia hereby declares that:

1. PT RHB Sekuritas Indonesia and its investment analysts, does not have any interest in the securities of the subject company(ies) covered in this report.
For the avoidance of doubt, interest in securities include the following:
 - a) Holding directly or indirectly, individually or jointly own/hold securities or entitled for dividends, interest or proceeds from the sale or exercise of the subject company's securities covered in this report*;
 - b) Being bound by an agreement to purchase securities or has the right to transfer the securities or has the right to pre subscribe the securities*.
 - c) Being bound or required to buy the remaining securities that are not subscribed/placed out pursuant to an Initial Public Offering*.
 - d) Managing or jointly with other parties managing such parties as referred to in (a), (b) or (c) above.
2. PT RHB Sekuritas Indonesia is not a market maker in the securities or capital market products of the subject company(ies) covered in this report.
3. None of PT RHB Sekuritas Indonesia's staff** or associated person serve as a director or board member* of the subject company(ies) covered in this report.
4. PT RHB Sekuritas Indonesia did not receive compensation for investment banking or corporate finance services from the subject company in the past 12 months.
5. PT RHB Sekuritas Indonesia** did not receive compensation or benefit (including gift and special cost arrangement e.g. company/issuer-sponsored and paid trip) in relation to the production of this report:

Notes:

*The overall disclosure is limited to information pertaining to PT RHB Sekuritas Indonesia only.

**The disclosure is limited to Research staff of PT RHB Sekuritas Indonesia only.

Singapore

Save as disclosed in the following link [RHB Research conflict disclosures – May 2021](#) and to the best of our knowledge, the Singapore Research department of RHB Bank Berhad (Singapore branch) hereby declares that:

1. RHB Bank Berhad, its subsidiaries and/or associated companies do not make a market in any issuer covered by the Singapore research analysts in this report.
2. RHB Bank Berhad, its subsidiaries and/or its associated companies and its analysts do not have a financial interest (including a shareholding of 1% or more) in the issuer covered by the Singapore research analysts in this report.
3. RHB Bank Berhad's Singapore research staff or connected persons do not serve on the board or trustee positions of the issuer covered by the Singapore research analysts in this report.
4. RHB Bank Berhad, its subsidiaries and/or its associated companies do not have and have not within the last 12 months had any corporate finance advisory relationship with the issuer covered by the Singapore research analysts in this report or any other relationship that may create a potential conflict of interest.
5. RHB Bank Berhad's Singapore research analysts, or person associated or connected to it do not have any interest in the acquisition or disposal of, the securities, specified securities based derivatives contracts or units in a collective investment scheme covered by the Singapore research analysts in this report.
6. RHB Bank Berhad's Singapore research analysts do not receive any compensation or benefit in connection with the production of this research report or recommendation on the issuer covered by the Singapore research analysts.

Analyst Certification

The analyst(s) who prepared this report, and their associates hereby, certify that:

(1) they do not have any financial interest in the securities or other capital market products of the subject companies mentioned in this report, except for:

| Analyst | Company |
|---------|---------|
| - | - |

(2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.



KUALA LUMPUR

RHB Investment Bank Bhd
Level 3A, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur 50400
Malaysia
Tel : +603 9280 8888
Fax : +603 9200 2216

JAKARTA

PT RHB Sekuritas Indonesia
Revenue Tower, 11th Floor, District 8 - SCBD
Jl. Jendral Sudirman Kav 52-53
Jakarta 12190
Indonesia
Tel : +6221 509 39 888
Fax : +6221 509 39 777

BANGKOK

RHB Securities (Thailand) PCL
10th Floor, Sathorn Square Office Tower
98, North Sathorn Road, Silom
Bangrak, Bangkok 10500
Thailand
Tel: +66 2088 9999
Fax :+66 2088 9799

SINGAPORE

RHB Bank Berhad (Singapore branch)
90 Cecil Street
#04-00 RHB Bank Building
Singapore 069531