Headline	Recent buys to boost FGVH earnings		
MediaTitle	The Star		
Date	29 Nov 2013	Language	English
Circulation	298,821	Readership	1,839,000
Section	StarBiz	Page No	6
ArticleSize	245 cm²	Journalist	N/A
PR Value	RM 34,098		

Recent buys to boost FGVH earnings

Analyst Reports

FELDA GLOBAL VENTURES HOLDINGS BHD
By CIMB Research
Neutral
Target: RM4.73

WE expect Felda Global Ventures Holdings Bhd (FGVH) to post higher fourth-quarter (ending Dec 31) earnings in light of higher crude palm oil (CPO) prices and the consolidation of Pontian United Plantations' (PUP) results. Our sum-of-parts-based target price of RM4.73 and "neutral" call are intact.

Third-quarter 2013 core net profit fell 76% year-on-year and 85% quarter-on-quarter due mainly to weaker results from all divisions except sugar.

Plantation earnings were negatively impacted by lower CPO trading margins, and higher harvesting and manuring costs. Replanting costs were higher in the third quarter as it completed 92% of its replanting target of 15,000ha per annum as at Sept 30.

FGVH has been on an acquisition spree recently. It successfully bought a 100% stake in PUP for RM1.2bil, a 100,000-tonne biodiesel plant in Pahang for RM35mil and a 95% stake in two plantation companies for RM44.2mil. These companies own 21,037ha of estates in West Kalimantan, Indonesia. We expect earnings from the first two acquisitions to trickle in starting from the fourth quarter of 2013.

FGVH has recently offered to buy the remaining 51% stake in its associate Felda Holdings Bhd (FHB) for RM2.2bil cash from Koperasi Permodalan Felda (KPF). The proposal has received the approval of KPF's shareholders and is expected to be completed by end of the year. We are positive about this deal in view of its fair pricing.

Furthermore, the acquisition will allow the group to claim ownership of the entire palm oil value chain which acould enhance its earnings by 5% in the financial year 2014.

TENAGA NASIONAL BHD
By AmResearch
Buy (maintained)
Fair value: RM10.45

THE Star reported yesterday that Energy, Green Technology and Water Minister Datuk Seri Dr Maximus Ongkili as saying that consumers should brace themselves for a 10%-20% hike in electricity tariffs any time next year.

Based on the current average tariff rate of 33.5 sen per kilowatt hour (kw/h), this could mean that electricity rates could rise to 36.85 sen per kwh to 40.2 sen per kwh.

This rate hike seems to be above our own estimates of an average hike of 8.5%, assuming that the tariff increase is sufficient to offset the cost increase to RM43 per per million British thermal units (mmbtu) (from the current price of RM13.70 per mmbtu) for 250 million standard cu ft per day (mmscfd) of natural gas purchased above 1,000 mmscfd.

In our view, the tariff adjustments may exclude the low-income population while the middle-income group may be less affected than heavy users of electricity such as the industrial and commercial segments.

Currently, the average tariff for industrial users is 32.2 sen per kw/h, while commercial is 42 sen per kw/h and residential is 29.7 sen per kw/h. Hence, the industrial tariff, which was originally set at a lower rate to promote the country's industrialisation, is already 24% below the commercial segment.