

## | Malaysia

**ADD** (previously HOLD)

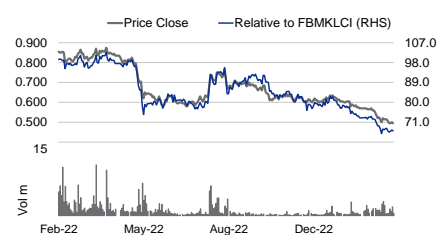
Consensus ratings\*: Buy 0 Hold 1 Sell 0

Current price:	RM0.495
Target price:	RM0.62
Previous target:	RM0.62
Up/downside:	25.3%
CGS-CIMB / Consensus:	0.0%
Reuters:	SENH.KL
Bloomberg:	5305 MK
Market cap:	US\$165.8m
	RM742.5m
Average daily turnover:	US\$0.10m
	RM0.43m
Current shares o/s:	1,500m
Free float:	31.3%

\*Source: Bloomberg

**Key changes in this note**

- Introduce our FY25F EPS forecasts.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-13.2	-19.5	-42.5
Relative (%)	-10.4	-17.4	-33.9

Major shareholders	% held
SQ Digital Sdn Bhd	58.0
Lim Kim Heng	5.4
Lim Kim Chieng	5.4

**Analyst(s)**

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# Senheng New Retail Bhd

## Valuations have turned more appealing

- FY22 core net profit of RM67.5m (+3.7% yoy) was within expectations, making up 100.4% of our and Bloomberg consensus FY22 estimates.
- For FY23F, we believe Senheng's steadfast store expansion with the launch of its new "Senheng Mobile" concept stores could grab a larger market share.
- We upgrade Senheng to an Add on grounds of its attractive valuation, trading at 1-year forward P/E of 12.2x (22.8% discount to its mean P/E since listing).

### FY22 core net profit of RM67.5m (+3.7% yoy) within expectations

4QFY22 core net profit (CNP) came in at RM21.5m (-21.8% yoy), bringing FY22 CNP to RM67.5m (+3.7% yoy). This was within our expectations at 100.4% of our FY22 estimates. We believe the decline in 4Q22 sales (-2.7% yoy) was due to supply disruptions from its suppliers in China due to Covid-19 lockdown measures, limiting sales of its own-brand, sole-distributed products and new iPhones, waning Covid-19 pent-up demand, as well as potentially lower consumer discretionary spending power due to inflationary pressures. 4Q22 EBITDA margin fell to 9.8% (-1.3% pts yoy) due to higher operating costs (+9.3% yoy) from its ongoing store expansion.

### Sequential improvement in 4QFY22 driven by seasonality

4QFY22 revenue and CNP rose 25.4% qoq and 66.7% qoq, respectively, mainly due to: i) seasonal factors such as major festive sales during the quarter (i.e. year-end holiday sales, Christmas sales, 11.11/12.12 mega sales and new iPhone product launches), ii) better product mix and iii) higher number of upgraded stores. We also note that EBITDA margins in 4Q22 improved 1.3% pts qoq, thanks to a more favourable product mix and higher economies of scale.

### Steadfast store expansion plan to capture a larger market share

We are positive on Senheng's expansion drive to open 24 new/upgraded stores in FY23F and the launch of its new "Senheng Mobile" store (it aims to open 40 of these stores (+c.36.0% yoy) in FY23F; Fig 11-20), primarily focusing on digital gadgets, phones and laptops segments. It targets to achieve RM120m in sales (7.7% of FY22 revenue) from the mobile segment in FY23F. We believe this would allow Senheng to further expand its market share in the consumer digital electronics segment. With the easing of supply constraints and ongoing expansion plan, we believe Senheng's earnings prospects could improve going forward, along with better operational efficiency and wider product offerings, backed by its strong loyal customer base via its c.3.6m PlusOne members.

### Upgrade Senheng to Add due to its undemanding valuations

We keep our FY23-24F earnings estimates unchanged, pending further details from its briefing on 2 Mar 2023, and introduce our FY25F estimates. Nonetheless, we upgrade Senheng to an Add from Hold previously on valuation grounds, with an unchanged TP of RM0.62 (15.2x CY24F P/E, a 10% discount to CGS-CIMB's consumer discretionary's 5-year mean P/E of 16.8x, to account for weak consumer sentiment). We believe its valuations have turned attractive as it is currently trading at a 1-year forward P/E of 12.2x (22.8% discount to its mean P/E since listing of 15.8x and 27.4% discount to our CGS-CIMB's consumer discretionary sub-sector 5-year mean of 16.8x), and most of its downside risks have already been accounted for. Downside risks: lower-than-expected sales and higher-than-expected operating costs.

**Financial Summary**

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (RMm)	1,444	1,563	1,512	1,505	1,572
Operating EBITDA (RMm)	127.0	137.9	142.0	145.8	154.1
Net Profit (RMm)	65.05	67.50	62.11	61.22	63.69
Core EPS (RM)	0.043	0.048	0.041	0.041	0.042
Core EPS Growth	18.9%	11.3%	(14.2%)	(1.4%)	4.0%
FD Core P/E (x)	11.41	10.26	11.95	12.13	11.66
DPS (RM)	0.013	0.012	0.012	0.012	0.013
Dividend Yield	2.63%	2.45%	2.51%	2.47%	2.57%
EV/EBITDA (x)	5.89	3.79	3.56	3.34	2.97
P/FCFE (x)	30.96	NA	9.14	9.65	8.82
Net Gearing	2.2%	(40.5%)	(40.5%)	(40.6%)	(42.2%)
P/BV (x)	3.18	1.37	1.26	1.18	1.10
ROE	32.5%	18.6%	11.0%	10.1%	9.8%
% Change In Core EPS Estimates			0%	0%	
CGS-CIMB/Consensus EPS (x)			1.01	1.00	

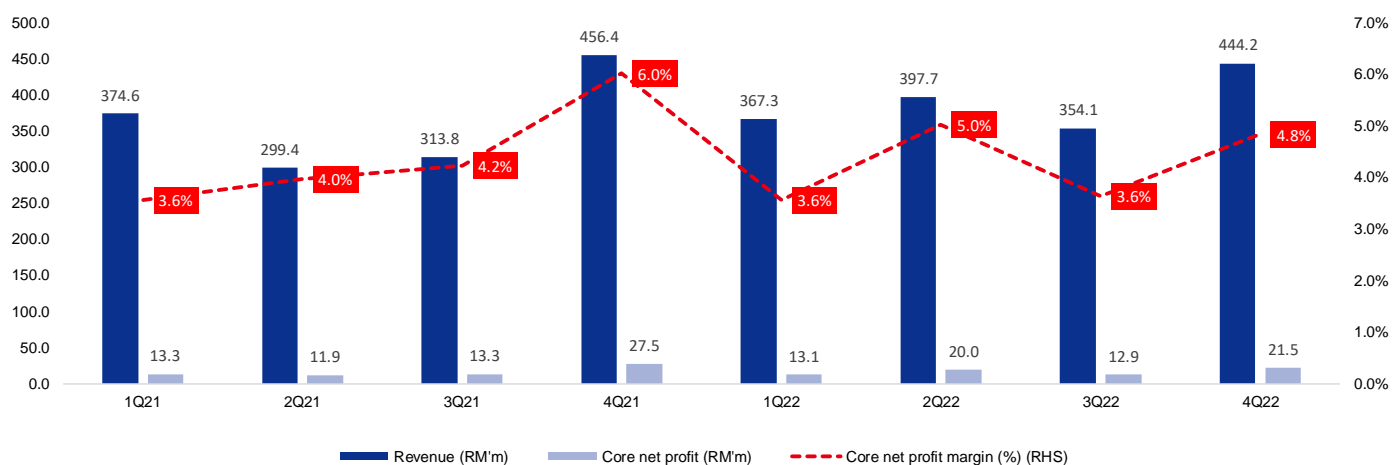
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## Valuations have turned more appealing

**Figure 1: Results comparison**

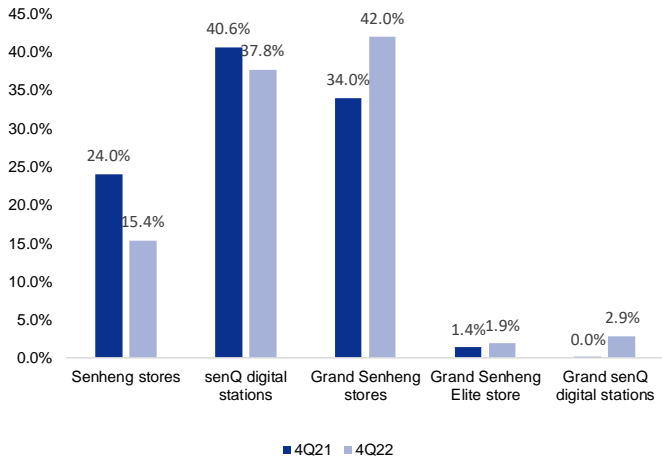
FYE Dec (RM m)	4QFY22	4QFY21	yoy % chg	qoq % chg	FY22 Cum	FY21 Cum	yoy % chg	Prev. FY22F	Comments
Revenue	444.2	456.4	(2.7)	25.4	1,563.3	1,444.1	8.3	1557.0	Higher revenue yoy due to higher number of upgraded/new stores on its ongoing expansion strategy, higher consumer footfall following economic reopening since 4Q21 as well as its more effective marketing strategy and wider product offerings
Cost of sales	(349.6)	(359.1)	(2.6)	28.4	(1,221.4)	(1,139.4)	7.2	(1224.2)	
<b>Gross profit</b>	<b>94.6</b>	<b>97.3</b>	<b>(2.8)</b>	<b>15.4</b>	<b>341.8</b>	<b>304.7</b>	<b>12.2</b>	<b>332.8</b>	
GP margin %	21.3%	21.3%	(0.0)	(1.8)	21.9%	21.1%	0.8	0.2	Higher GP margin yoy due to more favourable product mix in FY22
Operating costs	(51.1)	(46.7)	9.3	(1.3)	(203.9)	(177.7)	14.8	(1416.2)	Higher yoy and qoq due to higher operating and administrative expenses, primarily for expansion and upgrading of stores, and included listing expenses on the Main Market of Bursa Malaysia (include other operating income)
<b>EBITDA</b>	<b>43.5</b>	<b>50.6</b>	<b>(14.0)</b>	<b>44.0</b>	<b>137.9</b>	<b>127.0</b>	<b>8.6</b>	<b>140.8</b>	
EBITDA margin (%)	9.8%	11.1%	(1.3)	1.3	8.8%	8.8%	0.0	9.0	FY22 EBITDA margin flat as operating costs increased at a faster pace than revenue
Depn & amort.	(11.8)	(9.8)	20.7	3.5	(44.2)	(39.3)	12.6	(50.3)	
<b>EBIT</b>	<b>31.7</b>	<b>40.8</b>	<b>(22.3)</b>	<b>68.5</b>	<b>93.7</b>	<b>87.8</b>	<b>6.8</b>	<b>90.5</b>	
Interest expense	(1.2)	(1.0)	16.3	20.0	(4.6)	(5.0)	(7.1)	(5.4)	
Interest & invt inc	1.4	0.5	200.9	58.5	3.1	1.7	81.4	2.8	
Exceptionals & revaln	(0.5)	3.7	(112.4)	(128.0)	(6.9)	0.2	nm	0.0	FY22 included one-off listing expenses of RM1.7m in 1Q22 (not recurring), forex gains and losses and impairment loss
<b>Pretax profit</b>	<b>31.4</b>	<b>40.3</b>	<b>(21.9)</b>	<b>54.5</b>	<b>85.3</b>	<b>84.5</b>	<b>0.9</b>	<b>87.9</b>	
Tax	(10.4)	(9.1)	14.9	79.3	(24.8)	(19.3)	28.5	(20.6)	
Tax rate (%)	33.1%	22.5%	10.6	4.6	29.0%	22.8%	6.2	23.5%	Certain expenses are non tax deductible
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	nm	0.0	
<b>Net profit</b>	<b>21.0</b>	<b>31.2</b>	<b>(32.6)</b>	<b>44.6</b>	<b>60.6</b>	<b>65.3</b>	<b>(7.2)</b>	<b>67.2</b>	
<b>Core net profit</b>	<b>21.5</b>	<b>27.5</b>	<b>(21.8)</b>	<b>66.7</b>	<b>67.5</b>	<b>65.1</b>	<b>3.7</b>	<b>67.2</b>	<b>Within expectation at 100.4% of our FY22F full year estimates</b>
EPS (sen)	1.4	2.1	(32.6)	44.6	4.0	4.4	(7.2)	4.5	
Core EPS (sen)	1.4	1.8	(21.8)	66.7	4.5	4.3	3.7	4.5	

SOURCES: CGS-CIMB, COMPANY REPORTS

**Figure 2: Quarterly trend of revenue, core net profit and core net profit margin**


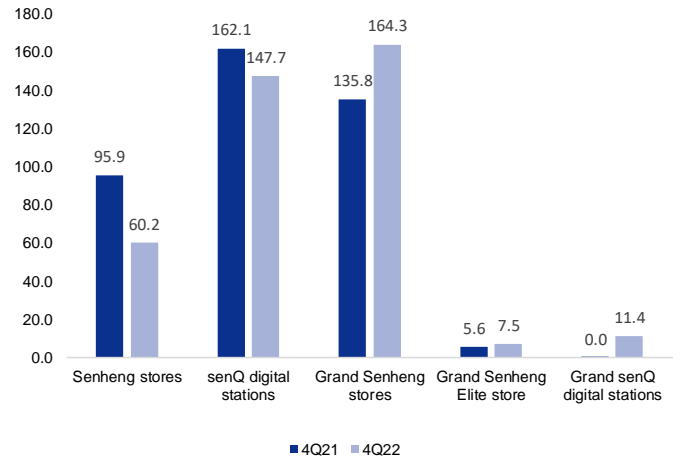
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 3: Revenue breakdown by physical store formats in 4Q22 vs. 4Q21 (%)**



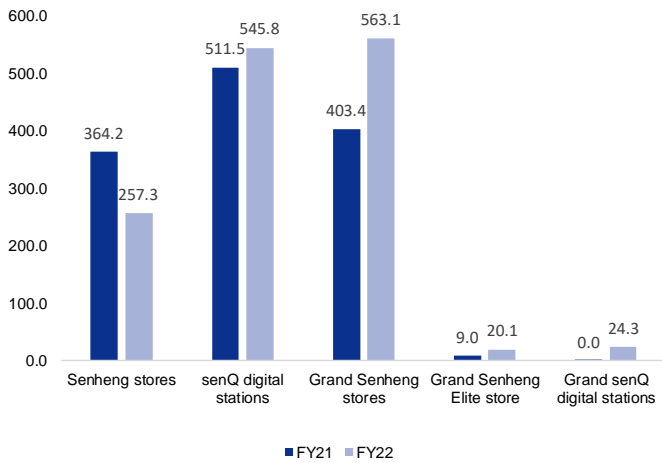
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 4: Revenue breakdown by physical store formats in 4Q22 vs. 4Q21 (RM'm)**



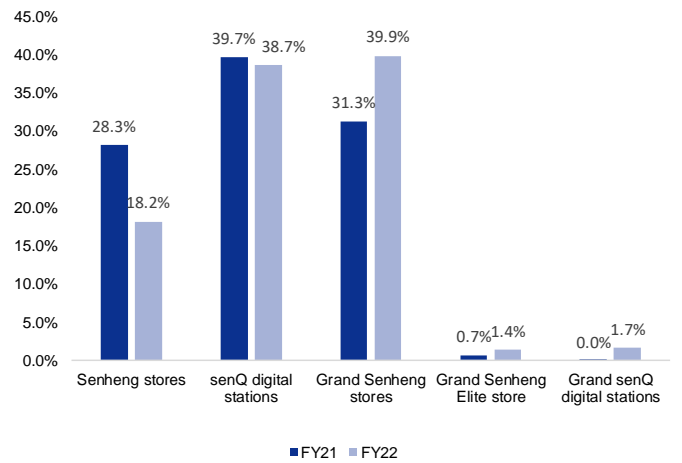
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 5: Revenue breakdown by physical store formats in FY22 vs. FY21 (RM'm)**



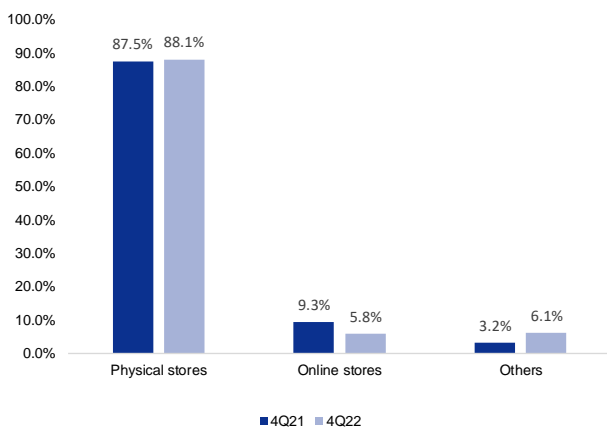
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 6: Revenue breakdown by physical store formats in FY22 vs. FY21 (%)**



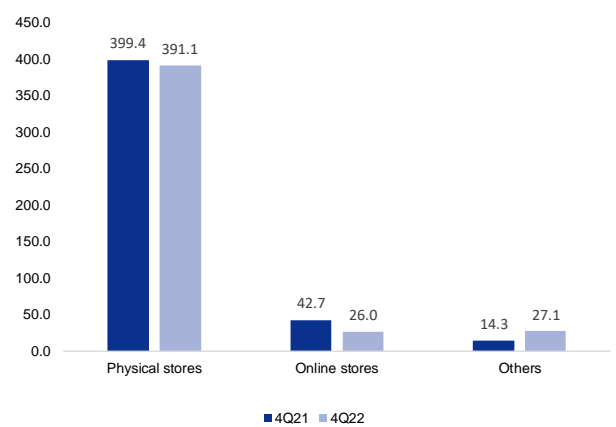
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 7: Revenue breakdown by retail channels in 4Q22 vs. 4Q21 (%)**



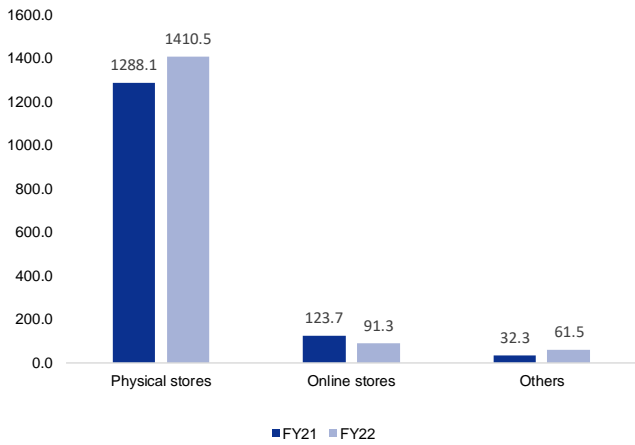
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 8: Revenue breakdown by retail channels in 4Q22 vs. 4Q21 (RM'm)**



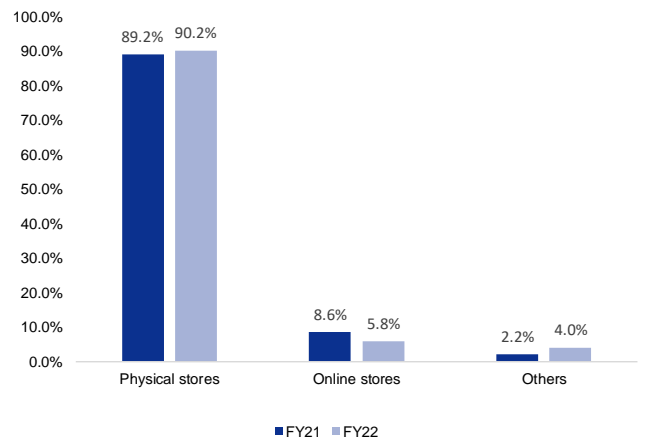
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 9: Revenue breakdown by retail channels in FY22 vs. FY21 (RM'm)**



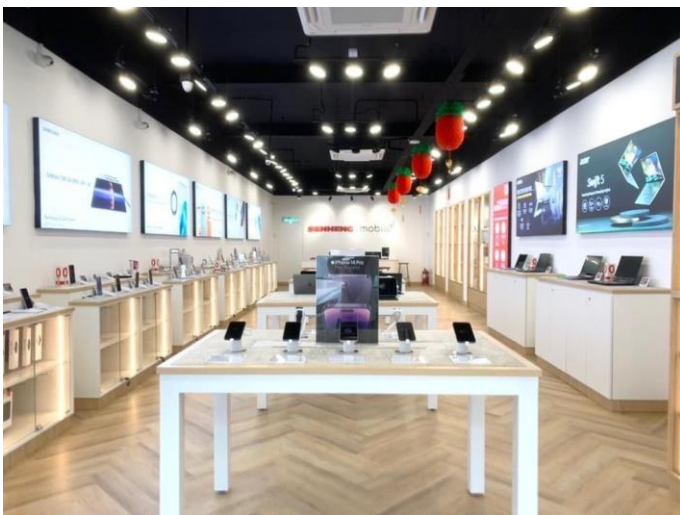
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 10: Revenue breakdown by retail channels in FY22 vs. FY21 (%)**



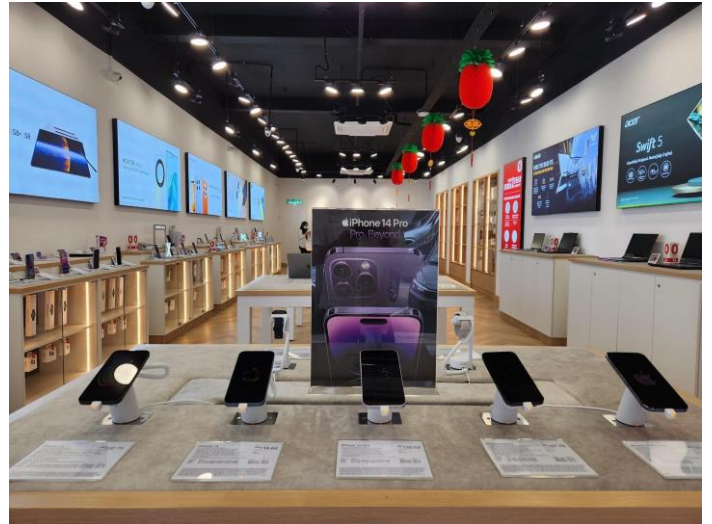
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 11: Senheng Mobile concept store interior designs**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 12: Senheng Mobile concept store interior designs**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 13: Senheng Mobile concept store interior designs**



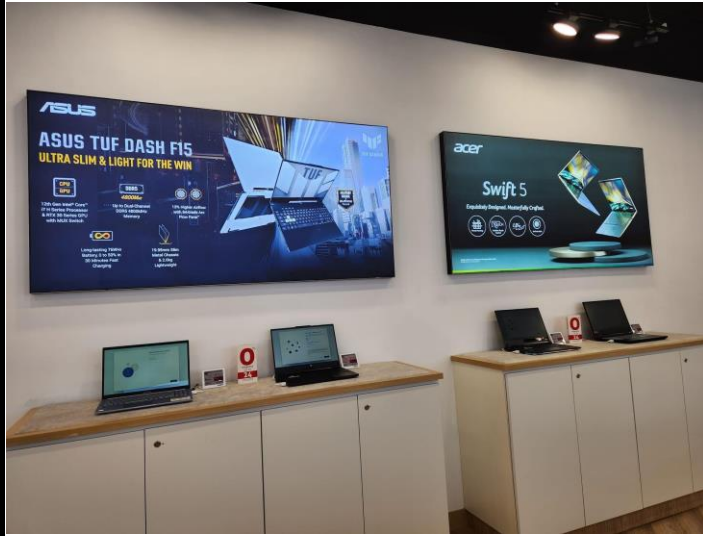
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 14: Senheng Mobile concept store interior designs**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 15: Senheng Mobile concept store interior designs**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 16: Senheng Mobile concept store interior designs**



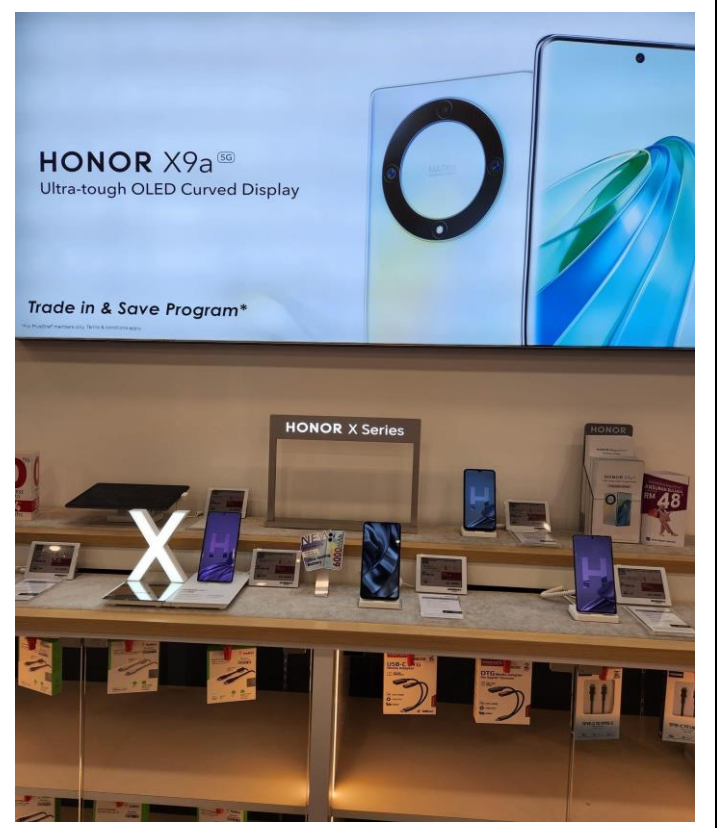
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 17: Senheng Mobile concept store interior designs**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 18: Senheng Mobile concept store interior designs**



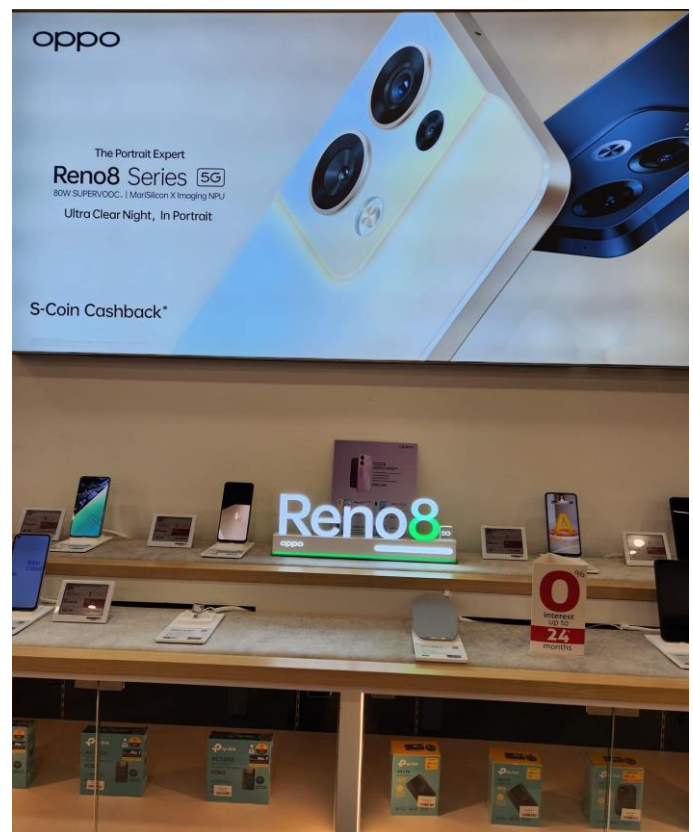
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 19: Senheng Mobile concept store interior designs**



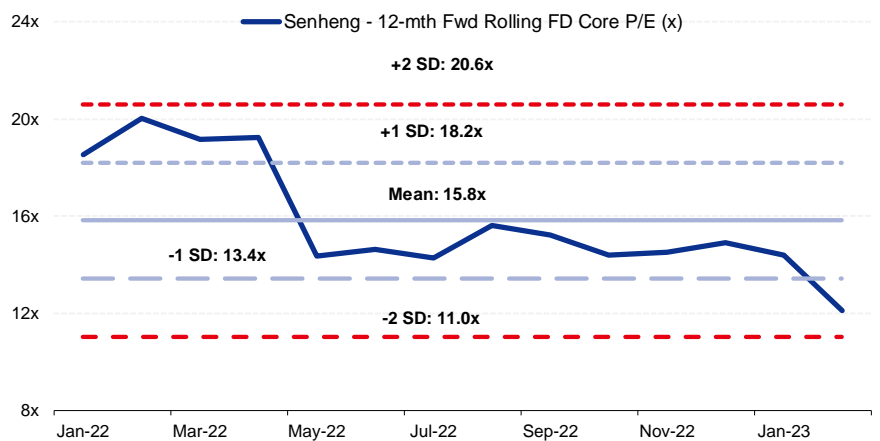
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 20: Senheng Mobile concept store interior designs**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 21: Senheng - 12-mth Fwd Rolling FD Core P/E (x)**



SOURCE: CGS-CIMB RESEARCH, COMPANY

### Key re-rating catalysts and downside risks

**Key re-rating catalysts:** A strong recovery in footfall and lower-than-expected operating expenses.

**Potential downside risks:** supply disruptions, slowdown in consumer E&E sales, sharp rise in operating expenses and intensifying competition.

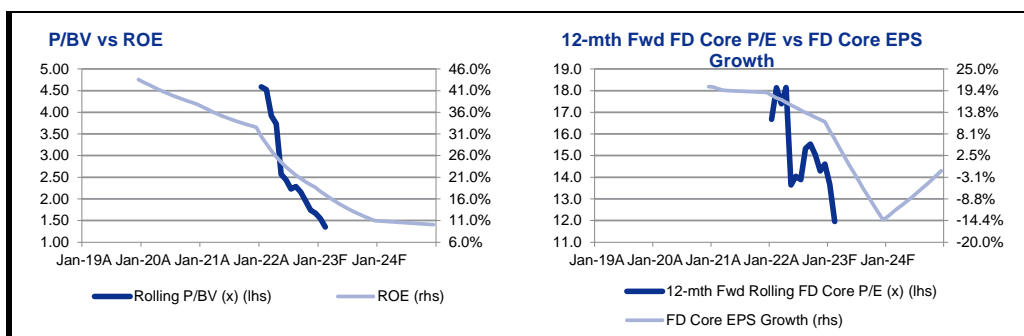


## ESG in a nutshell

In 2013, Senheng launched its e-waste recycling programme to encourage and facilitate the disposal of electronic waste in a responsible and safe manner. Through this programme, customers can bring their non-bulky electronic appliances, such as personal computers, mobile phones, tablet computers, projectors and media players, to any of Senheng's physical stores for recycling at no charge. In addition, Senheng collects for recycling at no added charge any unwanted electronic appliances from customers' premises when it delivers customers' purchases. The collected electronic waste will then be sent to licenced e-waste recycling centres for processing.

<p><b>Keep your eye on</b></p> <p>Currently, only two out of Senheng's seven directors are female. This is below the Malaysian Code of Corporate Governance's recommendation of at least 30% female directors.</p>	<p><b>Implications</b></p> <p>While we view this negatively, Senheng has set a target of appointing additional female directors within two years of its listing date (25 Jan 2022).</p>
<p><b>ESG highlights</b></p> <p>Senheng was able to grow its revenue base at a CAGR of 10.1%, despite gradually closing physical outlets over 2016-2021 (it had 105 outlets as at end-FY21 vs. 125 at end-FY16). We also note that Senheng has been aggressively expanding its online sales business, with online sales accounting for 8.6% of its revenue in FY21.</p>	<p><b>Implications</b></p> <p>We are positive on this matter as the company is showing efforts to reduce its energy consumption (in terms of water and electricity) with a lower number of physical outlets in operation. However, it has yet to disclose any data related to its energy usage; thus, we are unable to do any analysis on this matter.</p>
<p><b>Trends</b></p> <p>Senheng has initiated various environmentally friendly programmes, such as "Tree Planting Project" (since 2010), "Paperless Initiatives" (since 2015), "E-waste Recycling Programme" (since 2013) and "Adoption of Bio-Degradable Plastic" (since 2003).</p>	<p><b>Implications</b></p> <p>We are positive on the company's efforts towards environmental sustainability. However, it has yet to disclose any data related to its energy usage; thus, we are unable to do any analysis on this matter.</p>

SOURCES: CGS-CIMB RESEARCH, REFINITIV

**BY THE NUMBERS**

**Profit & Loss**

(RMm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Total Net Revenues</b>	<b>1,444</b>	<b>1,563</b>	<b>1,512</b>	<b>1,505</b>	<b>1,572</b>
<b>Gross Profit</b>	<b>305</b>	<b>342</b>	<b>328</b>	<b>327</b>	<b>345</b>
<b>Operating EBITDA</b>	<b>127</b>	<b>138</b>	<b>142</b>	<b>146</b>	<b>154</b>
Depreciation And Amortisation	-39	-44	-59	-65	-70
<b>Operating EBIT</b>	<b>88</b>	<b>94</b>	<b>83</b>	<b>81</b>	<b>84</b>
Financial Income/(Expense)	-3	-1	-2	-1	-0
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>85</b>	<b>92</b>	<b>82</b>	<b>80</b>	<b>84</b>
Exceptional Items	-7	-	-	-	-
<b>Pre-tax Profit</b>	<b>85</b>	<b>85</b>	<b>82</b>	<b>80</b>	<b>84</b>
Taxation	-19	-25	-20	-19	-20
Exceptional Income - post-tax	-	-	-	-	-
<b>Profit After Tax</b>	<b>65</b>	<b>61</b>	<b>62</b>	<b>61</b>	<b>64</b>
Minority Interests	-	-	-	-	-
Preferred Dividends	-	-	-	-	-
FX Gain/(Loss) - post tax	-	0	0	0	-
Other Adjustments - post-tax	-0	7	0	0	0
<b>Net Profit</b>	<b>65</b>	<b>67</b>	<b>62</b>	<b>61</b>	<b>64</b>
Recurring Net Profit	65	72	62	61	64
<b>Fully Diluted Recurring Net Profit</b>	<b>65</b>	<b>72</b>	<b>62</b>	<b>61</b>	<b>64</b>

**Cash Flow**

(RMm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>EBITDA</b>	<b>127.0</b>	<b>137.9</b>	<b>142.0</b>	<b>145.8</b>	<b>154.1</b>
Cash Flow from Invt. & Assoc.	-	-	-	-	-
Change In Working Capital	(49.8)	(47.8)	10.5	1.6	(13.9)
(Incr)/Decr in Total Provisions	-	-	-	-	-
Other Non-Cash (Income)/Expense	41.5	52.6	60.4	65.5	70.3
Other Operating Cashflow	(42.5)	(52.6)	(60.4)	(65.5)	(70.3)
Net Interest (Paid)/Received	(1.9)	(1.3)	(0.0)	(0.0)	(0.0)
Tax Paid	(20.3)	(24.8)	(19.6)	(19.3)	(20.1)
<b>Cashflow From Operations</b>	<b>54.1</b>	<b>64.1</b>	<b>132.9</b>	<b>128.1</b>	<b>120.1</b>
Capex	(22.8)	(55.0)	(55.0)	(55.0)	(40.0)
Disposals Of FAs/subsidiaries	6.5	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	(16.9)	0.0	0.0	0.0	0.0
Other Investing Cashflow	1.8	3.1	3.3	3.8	4.1
<b>Cash Flow From Investing</b>	<b>(31.3)</b>	<b>(51.9)</b>	<b>(51.7)</b>	<b>(51.2)</b>	<b>(35.9)</b>
Debt Raised/(repaid)	1.3	(57.0)	0.0	0.0	0.0
Proceeds From Issue Of Shares	-	-	-	-	-
Shares Repurchased	-	-	-	-	-
Dividends Paid	(12.0)	(18.2)	(18.6)	(18.4)	(19.1)
Preferred Dividends	-	-	-	-	-
Other Financing Cashflow	(29.3)	231.1	(45.0)	(40.5)	(36.3)
<b>Cash Flow From Financing</b>	<b>(40.0)</b>	<b>156.0</b>	<b>(63.7)</b>	<b>(58.8)</b>	<b>(55.4)</b>
Total Cash Generated	(17.3)	168.2	17.6	18.1	28.8
<b>Free Cashflow To Equity</b>	<b>24.0</b>	<b>(44.7)</b>	<b>81.2</b>	<b>76.9</b>	<b>84.2</b>
<b>Free Cashflow To Firm</b>	<b>24.7</b>	<b>13.5</b>	<b>81.2</b>	<b>76.9</b>	<b>84.2</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(RMm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Cash And Equivalents	51.7	220.0	237.5	255.6	284.4
Total Debtors	97.2	107.1	103.6	103.1	107.7
Inventories	253.9	284.5	275.8	274.3	285.8
Total Other Current Assets	37.3	37.3	37.4	37.6	37.7
<b>Total Current Assets</b>	<b>440.1</b>	<b>648.8</b>	<b>654.3</b>	<b>670.6</b>	<b>715.6</b>
Fixed Assets	108.4	154.4	193.1	229.2	247.8
Total Investments	2.9	2.9	2.9	2.9	2.9
Intangible Assets	0.0	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	181.4	226.3	208.3	186.3	165.6
<b>Total Non-current Assets</b>	<b>292.6</b>	<b>383.5</b>	<b>404.3</b>	<b>418.4</b>	<b>416.4</b>
Short-term Debt	16.9	0.0	0.0	0.0	0.0
Current Portion of Long-Term Debt					
Total Creditors	135.5	133.9	129.8	129.1	134.5
Other Current Liabilities	107.4	121.4	117.5	113.9	111.8
<b>Total Current Liabilities</b>	<b>259.9</b>	<b>255.3</b>	<b>247.3</b>	<b>243.1</b>	<b>246.3</b>
Total Long-term Debt	40.1	0.0	0.0	0.0	0.0
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	194.2	228.4	219.3	211.0	206.0
<b>Total Non-current Liabilities</b>	<b>234.2</b>	<b>228.4</b>	<b>219.3</b>	<b>211.0</b>	<b>206.0</b>
Total Provisions	5.1	5.1	5.1	5.1	5.1
<b>Total Liabilities</b>	<b>499.1</b>	<b>488.8</b>	<b>471.6</b>	<b>459.1</b>	<b>457.4</b>
Shareholders' Equity	233.7	543.6	587.0	629.9	674.5
Minority Interests					
<b>Total Equity</b>	<b>233.7</b>	<b>543.6</b>	<b>587.0</b>	<b>629.9</b>	<b>674.5</b>

### Key Ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue Growth	11.5%	8.3%	(3.3%)	(0.5%)	4.4%
Operating EBITDA Growth	11.5%	8.6%	3.0%	2.7%	5.6%
Operating EBITDA Margin	8.80%	8.82%	9.39%	9.69%	9.80%
Net Cash Per Share (RM)	-0.00	0.15	0.16	0.17	0.19
BVPS (RM)	0.16	0.36	0.39	0.42	0.45
Gross Interest Cover	17.68	20.31	16.19	17.55	20.19
Effective Tax Rate	22.8%	29.0%	24.0%	24.0%	24.0%
Net Dividend Payout Ratio	30.0%	24.4%	30.0%	30.0%	30.0%
Accounts Receivables Days	21.66	23.84	25.42	25.13	24.47
Inventory Days	74.53	80.44	86.34	85.46	83.30
Accounts Payables Days	41.69	40.24	40.63	40.22	39.20
ROIC (%)	26.3%	21.5%	15.0%	14.2%	14.3%
ROCE (%)	35.0%	23.2%	15.3%	14.0%	13.5%
Return On Average Assets	9.83%	8.60%	6.12%	5.78%	5.74%

### Key Drivers

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue Growth %Physical stores	9.2%	10.4%	-3.4%	-0.8%	4.8%
Revenue Growth %Online stores	29.8%	-29.8%	-1.0%	1.0%	1.0%
Revenue Growth %Others	63.2%	50.0%	10.0%	5.0%	1.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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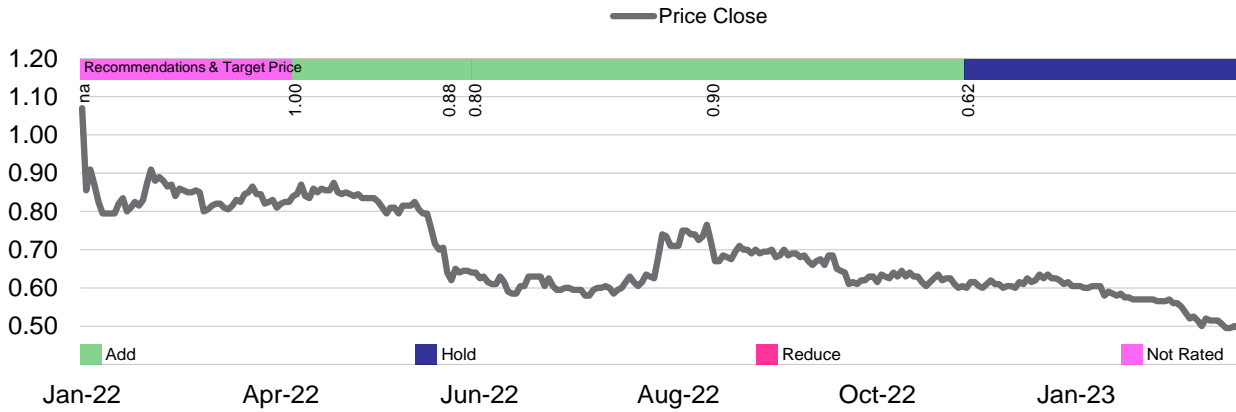
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2022		
645 companies under coverage for quarter ended on 31 December 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	64.8%	1.1%
Hold	27.0%	0.3%
Reduce	8.2%	0.0%

Spitzer Chart for stock being researched ( 2 year data )

Senheng New Retail Bhd (5305 MK)



**Recommendation Framework**

**Stock Ratings**

Definition:

**Add** The stock's total return is expected to exceed 10% over the next 12 months.

**Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

**Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

**Sector Ratings**

Definition:

**Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.

**Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

**Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

**Country Ratings**

Definition:

**Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.

**Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

**Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.