AmInvestment Bank

Company report

AUTOMOBILE

APM AUTOMOTIVE

(APM MK EQUITY, APMA.KL)

17 Mar 2017

Hopes pinned on M&A

HOLD

(Initiation)

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Rationale for report: Initiation

Price	RM3.65
Fair Value	RM3.50
52-week High/Low	RM4.08/RM3.30

Key Changes

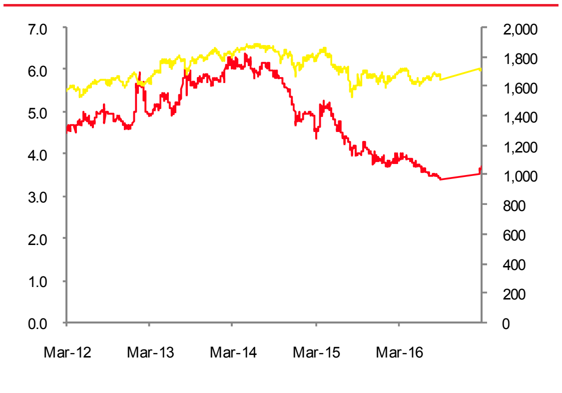
Fair value	Initiation
EPS	Initiation

YE to Dec	FY16	FY17F	FY18F	FY19F
Revenue (RM mil)	1,236.6	1,267.4	1,353.6	1,446.9
Core net profit (RM mil)	60.4	59.1	62.7	71.1
FD Core EPS (sen)	30.9	30.2	32.0	36.4
FD Core EPS growth (%)	(14.7)	(2.2)	6.1	13.4
Consensus Net Profit (RM mil)	-	66.0	70.4	61.2
DPS (sen)	21.1	15.1	16.0	18.2
PE (x)	11.8	12.1	11.4	10.0
EV/EBITDA (x)	4.2	4.0	3.9	3.6
Div yield (%)	5.7	4.1	4.3	4.9
ROE (%)	4.1	4.9	5.0	5.6
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	195.6
Market Cap (RMmil)	713.9
Book Value (RM/share)	6.14
P/BV (x)	0.6
ROE (%)	4.1
Net Gearing (%)	-
Major Shareholders	Tan Chong Consolidated Sdn Bhd(37.5%) Wealthmark Holdings Sdn Bhd(7.8%) EPF(6.7%)
Free Float	15.0
Avg Daily Value (RMmil)	0.3

Price performance	3mth	6mth	12mth
Absolute (%)	5.8	7.4	(7.6)
Relative (%)	0.8	3.3	(9.0)



Investment Highlights

- **We initiate coverage on APM with a HOLD rating and a fair value of RM3.50/share. Our valuation is pegged to a PE of 11x on FY18F EPS.**

- **We believe that the PE of 11x – nearly two notches below its three-year average historical forward PE of 12.7– is justified given the softness of the local automotive market in the next few years and APM's dependence on it.**

- **The group will rely on acquiring new businesses to reach its revenue target of RM2bil by 2020. As part of this goal, it aims to have a more diversified revenue base: with 50% of its sales coming from existing original equipment (OE) customers (compared to 71% last year), and the remainder from foreign operations, exports, replacement equipment (RE) and other segments.**

- **This is a sensible goal for APM as it would ameliorate 2 key issues that have allowed net profit and margins to erode for the past 4 consecutive years: (i) its dependence on 2 key clients, Proton and Perodua (forming 50-60% of topline) and on the local market, which has become saturated and lacks a growth story; and (ii) its reliance on raw materials that have seen price fluctuations, paired with the group's limited ability to pass on cost increments to its clients immediately.**

- **The risks to relying on M&A to grow are: (i) it could take time for new businesses to become profitable and find synergies within the group; (ii) it could change APM's debt profile by increasing its net gearing and interest costs; and (iii) a wider presence in new markets which could make it more vulnerable to significant changes in macroeconomic conditions there.**

- **We are projecting a net income of RM59mil this year, a decline of 2%YoY from RM60mil in FY16. This projection is below consensus' estimate of RM66mil.**

- **Our projection is premised on: (i) a mellow sales growth of <2% for local TIV, which does not bode well for APM's topline; (ii) a recovery in net profit margin by 1-2ppts from last year's bottom of 4%, supported by higher product prices; (iii) a status quo on the proportion of interest costs and assumption of minimal increments in borrowings going forward; and (iv) dividend of 15.1 sen for FY17 (translating to a yield of 4.1%) premised on a payout ratio of 50%.**

- **We believe the catalysts for an upgrade on APM are: (i) accretive M&A, resulting in stronger earnings and a manageable cost; (ii) a significant improvement in local TIV to spur production; and (iii) the opening of new areas of business that the group can monetise in the long term, such as the application of IoT technology.**

INITIATE COVERAGE WITH A HOLD AND FV OF RM3.50/SHARE

We initiate coverage on APM with a HOLD rating and a fair value of RM3.50/share. Our valuation is pegged to a PE of 11x on FY18F EPS. We believe that the PE of 11x – nearly two notches below its three-year average historical forward PE of 12.7 – is justified given the softness of the local automotive market in the next few years and APM's dependence on it.

APM Automotive is one of the largest manufacturers of automotive parts in Malaysia with products that include suspension parts, seats, interior and exterior plastics, heat exchange and electrical components(see Segmental information and revenue contribution by percentage in Exhibit 8).

It will rely on acquiring new businesses to reach its revenue target of RM2bil by 2020. The group is prepared for major M&A. APM has been in a net cash position for the past decade (last: RM175mil at end-Dec) and it has established a sukuk programme of up to RM1.5bil to draw from for funding any M&A.

We believe this is a sensible goal for APM as it will address 2 key issues:(i) its dependence on 2 key clients (forming 50-60% of topline) and on the local market, which has become saturated, lacking genuine growth story; and (ii) its reliance on raw materials that have seen price fluctuations, paired with the group's limited ability to pass on cost increments to its key clients immediately.

The aim is for APM to diversify both its earnings and cost base in order to make it less susceptible to the factors that have led to the decline in margins and net profit in the past 4 consecutive years.

The risk of relying on acquisitions and new investments to grow are: (i) it could take time for new businesses to become profitable and find synergies within the group; (ii) it could change APM's debt profile by increasing net gearing and interest costs; and (iii) a wider presence in new markets would make it more vulnerable to significant changes in macroeconomic conditions there.

We are projecting a net income of RM59mil this year, a decline of 2%YoY from RM60mil in FY16. This projection is below consensus' estimate of RM66mil.

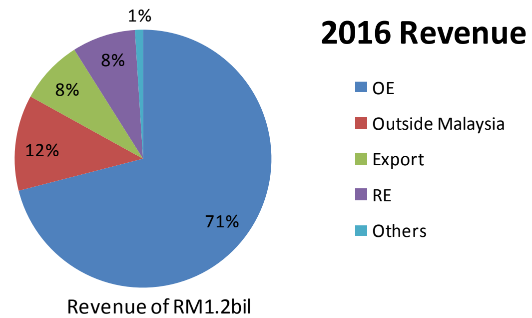
This is premised on:(i) a mellow sales growth of <2% for local TIV, which does not bode well for APM's topline; (ii) a recovery in net profit margin by 1-2ppts from last year's bottom of 4%, supported by higher product prices; (iii) a status quo on the proportion of interest costs and assumption of minimal increments in debt going forward; and (iv) dividend of 15.1 sen for FY17 (translating to a yield of 4.1%), premised on a payout ratio of 50%.

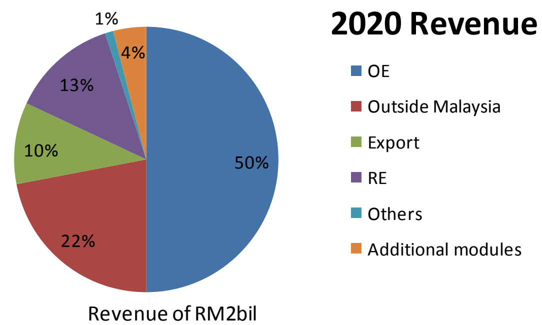
We believe the catalysts for an upgrade on APM are: (i) a value-positive M&A by way of stronger earnings and a manageable cost; (ii) a significant improvement in local TIV; and (iii) the opening of new areas of business, such as the application of IoT technology.

BUILDING A SHIELD WITH M&A

APM will rely on acquiring new businesses to reach its revenue target of RM2bil by 2020. It hopes to reduce the revenue contribution of its existing OE business to 50% by then (from 71% last year), and derive the remaining half from its foreign operations, exports, RE and other segments.

EXHIBIT 1: 2020 REVENUE TARGET





Source: Company

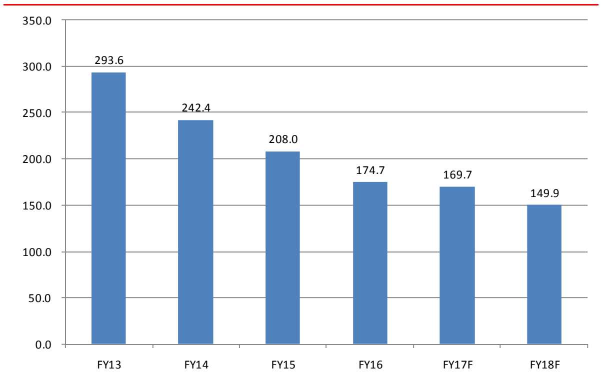
We believe that it is a pragmatic target given that its operation in Malaysia offers limited growth and has seen a tremendous decline in the recent downturn. Revenue from Malaysia only grew 3%YoY last year while revenue from overseas grew 47%YoY. This is partly due to active M&A and overseas operations, which contributed 12% of the group's revenue (from only 4% three years ago). It is aiming to raise this to 22% by 2020.

Given the close deadline, APM said it would prefer to buy profitable businesses that will be accretive to the group's earnings. However, it did acknowledge that such acquisitions would come at a premium pricing. We highlight below the main risks from depending on M&A to reach its revenue target.

APM's debt profile could change

APM has been in a comfortable net cash position for the past decade but this could change if a momentous acquisition takes place. It has no long-term debts and its current borrowings consist largely of short-term trade financing. It recorded a net cash of RM175mil as at end-Dec 2016.

EXHIBIT 2: APM'S NET CASH POSITION



Source: Company, AmInvestment Bank Bhd

Aside from this, APM had established a sukuk programme of up to RM1.5bil in October 2016 that it can draw from for the purpose of funding M&A. The group has not articulated any specific plans but said that the sukuk was important to: (i) project a position of financial strength in any bidding process that comes up; and (ii) prepare an affordable form of funding when there is a need for it.

Our projections imply a net cash position for the group. We will only factor in the impact on APM's balance sheet and P&L, and assess its net gearing and interest cover, in the event of any M&A.

High capex, high risk

We believe APM will continue its trajectory of high annual capex towards its goal of having a larger and more diversified revenue base. It has spent an average of RM98mil/year in the past 3 years or an average of 8% of its annual revenue on capex devoted not only to acquisitions, but expansion (i.e. the construction of new plants to cater to new clients or markets).

It last signalled a plan for RM180mil in capex over the next 3 to 4 years, mainly for the purchase of land and construction of plants in Thailand, Kulim, Melaka and Myanmar.

The risk of relying on acquisitions and new investments to grow are two-fold: (i) it could take time for new businesses to become profitable or find synergies within the group. There will be a gestation period, where APM will need to recognise start-up and depreciation costs, in addition to the higher interest expense that are likely to come up on M&A funded by debts before earnings start to be accretive.; and (ii) a bigger presence in new territories and markets would make APM vulnerable to any major change in the macroeconomic environment that could have an adverse impact on supply factors (i.e. cost) or demand factors.

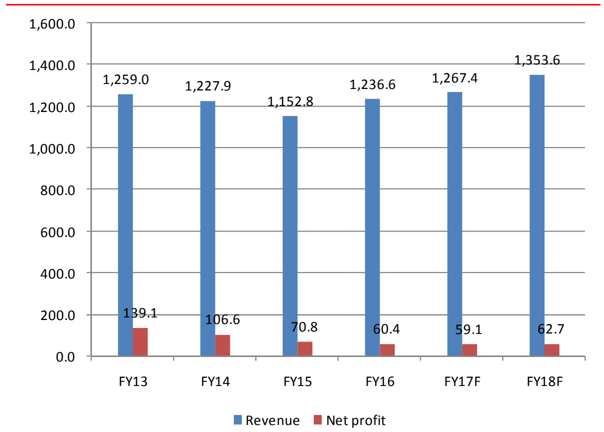
Its Indonesia operations, for example, saw losses following higher operating and depreciation costs for a new plant which came onboard in June 2016. APM aims to breakeven in Indonesia this year. This will require it to raise and maintain its utilisation of plant capacities that will be adequate to cover the aforementioned costs.

APM has consistently built its business via M&A (see Exhibit 7 for M&A completed in 2016). Additionally, it has added 18 locations last year to extend its distributional reach to 64 export markets.

SOFT DOMESTIC EARNINGS

While APM saw revenue growth in 2016 after two years of decline, operating income and net profit fell for the third year. This was because its overseas operations provided a subdued top-line growth, it still incurred high costs and earnings were still dependent on the local market.

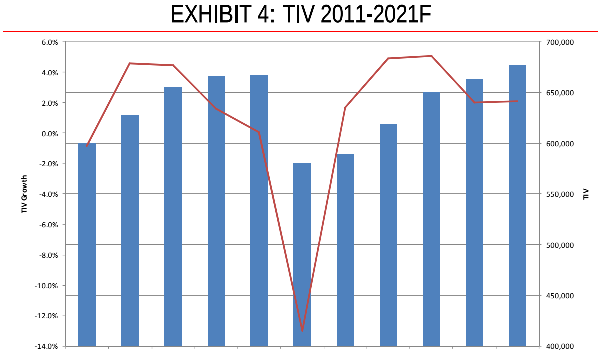
EXHIBIT 3: REVENUE AND NET PROFIT



Source: Company, AmInvestment Bank Bhd

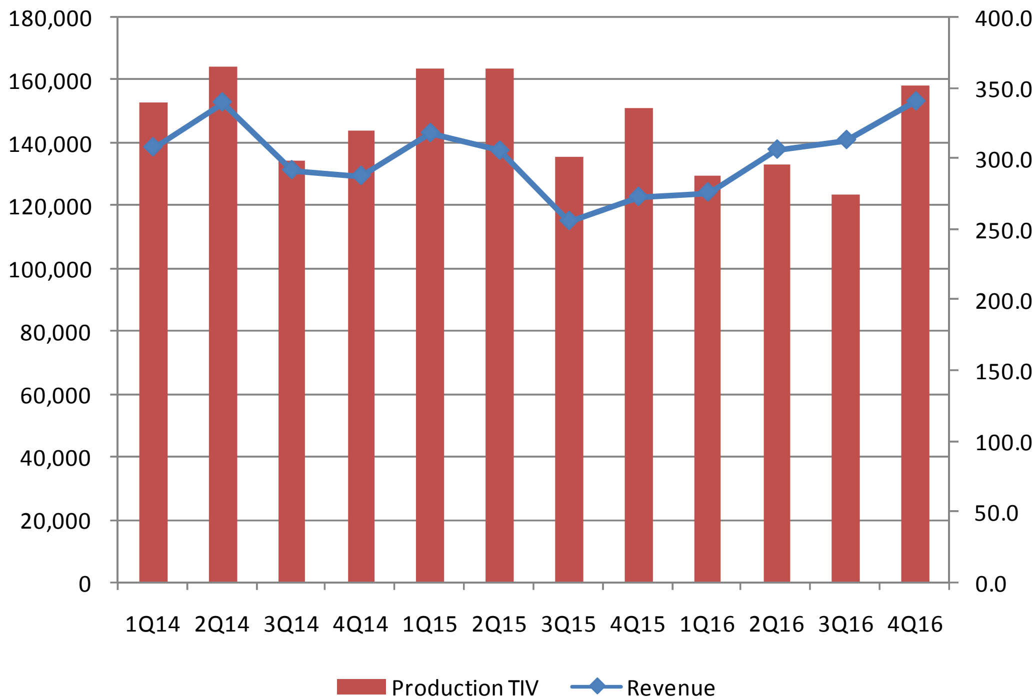
Sales volume for the local automotive market dropped 13%YoY last year. It is projected to grow by between 1.7% and 5.1% in the next 5years with a return to pre-GST levels in 2021.

EXHIBIT 4: TIV 2011-2021F



Source: MAA, AmInvestment Bank Bhd

EXHIBIT 5: REVENUE TRACKS PRODUCTION TIV



Source: Company, AmInvestment Bank Bhd, MAA

APM's revenue has largely tracked the country's level of automotive production (which follows sales; production as a percentage of sales has averaged 92% in the 4 years to 2016).

This has been demonstrated in the graph above (Exhibit 5). Note that there was an exception to this trend in the second half of 2016 when production dropped in the third quarter, but APM's revenue continued to climb.

For the full year, APM saw revenue growth of 7%YoY despite a 11%YoY decline in industry production (mirroring the 13%YoY drop in sales), this was attributed to higher topline for its core segment (Interior & Plastics, revenue up 6%YoY; benefitting from new launches from the national side in the second half) and higher overseas earnings (up 47%YoY). However, net loss compounded 20%YoY, due to higher costs on a weaker ringgit and an unfavourable product mix.

In this regard, APM earnings are still tied to the local market given its dependence on 2 key clients (Proton and Perodua), which collectively form about half of Malaysia's TIV.

- ***High dependence on Proton and Perodua***

The two national automakers have accounted for 50-60% of APM's revenue in recent years (an estimated 35-40% from Perodua, 15-20% from Proton). APM supplies complete seat sets for Perodua's entire range and the Proton Iriz and Persona. The group has local plants devoted to the service of each company: the plant in Tanjung Malim serves Proton while Bukit Beruntung services Perodua.

We find assurance from APM's recognition of this issue: Malaysia is not a growing market and APM has said the country has become a zero-sum game. It has to rely on M&A to grow its revenue base as organic growth is simply insufficient.

Proton saw a tremendous decline of 30%YoY (vs. a drop of 13%YoY for industry) in sales last year on poor demand and the delayed launches for its 4 new cars. Perodua fared better (sales dropped by only 3%YoY), thanks to the hugely popular Bezza.

APM is an integral part of the Perodua chain given that the Bukit Beruntung plant works according to Perodua's schedule and delivers seats to the required car models within a 2-hour window.

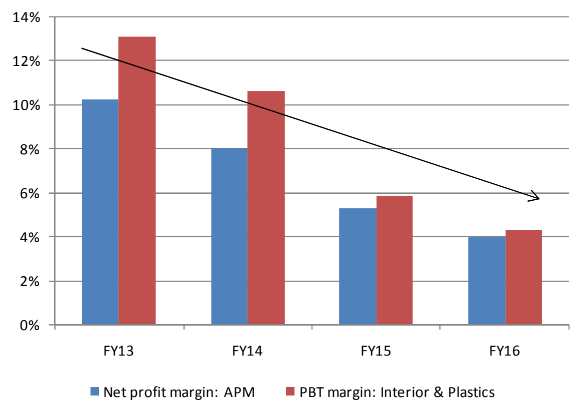
While APM's close relationship to Perodua allows it to leverage the development of new models, we highlight the following 2 negatives: (i) it has made APM more vulnerable to down cycles in the local auto market; (2) APM may have limited ability to negotiate for higher costs to be passed on to its key clients, given that both Proton and Perodua rely on mass-market car sales that compete primarily on pricing.

THINNING MARGINS

Net profit margin fell to a mere 4% last year from 10-11% seen in APM's best years. The group has attributed this to higher costs of raw materials mainly on a weaker Ringgit. APM has said that raw materials form the largest component of its cost of sales at 60%.

The margin erosion is most visible for its top segment, Interior & Plastics (which accounted for 53% of revenue last year), where PBT margin is now at 4% from the height of 11-13% only 3years ago.

EXHIBIT 6: MARGIN EROSION



Source: Company, AmInvestment Bank Bhd

Price fluctuations on raw materials

APM has seen margins reduce substantially on certain products that rely on imported components, which include various kinds of steel, aluminium and plastic compounds. This is the result of unfavourable movements in forex and commodity prices (i.e. metals and oil).

Aside from imports, APM is also exposed to forex fluctuations in its overseas operations and export sales. It deals in the US dollar, baht and yen for imports, and US dollar and euro for exports.

APM has said that it is able to revise its selling prices if significant fluctuations take place, by adjusting its pricing according to the average forex movements in the past 3 to 6 months. However, these revisions may take time to implement and is not likely to cover the entire cost increment faced by APM. The group hinted that margins had improved slightly in the second half of 2017 after certain product prices were revised with the existing mechanism.

We also reiterate that APM would have to be cognizant about passing on costs given that its key clients rely on mass-market cars that compete primarily on price.

To this effect, APM's plan to diversify into new markets and customers would provide some strength in facing price fluctuations. APM would have a better natural hedge from raising its forex-denominated earnings, and it has said that it is able to obtain better pricing from clients in regions such as Europe.

CATALYSTS FOR UPGRADE

APM's 2020 revenue target looks to address 2major issues faced by the company: (i) its dependence on 2key clients and on the local market, which is becoming increasingly competitive and offers limited growth; and (ii) margin erosion from higher costs, and with limited ability to pass on cost increments or resolve it in an immediate manner.

The aim is for APM to diversify both its earnings and cost base, in order to make it less vulnerable to the factors that have led to the decline in margins and bottom-line earnings in the past several years.

We identify the main catalysts for APM as follows:

(1) Incoming M&A. We will need to review the potential impact of new acquisitions on APM's earnings and finances.

(2) A significant improvement in local TIV. This would spur local production in both the national and non-national companies. Conversely, it would also benefit from an improvement in demand (by way of higher consumer spending, which is in part influenced by regulations and the availability of financing).

(3) The opening of new areas of business. The immediate priority for APM would be to find acquisitions that are earnings accretive and synergistic to its existing business. Last December, APM spent RM0.6mil to buy a 52% stake in Omnimatics, a 2-year-old company that develops Internet of Things (IoT) products for cars.

EXHIBIT 7: M&A COMPLETED IN 2016

Month	Corporate Exercise	Investment	Strategy
March	Acquired a locomotive seat manufacturing business in Australia	AUD1.7mil	Overseas expansion; to gain foothold in the provision of turnkey services of seat installation and refurbishment to local bus builders and bus operators
May	Acquired remaining 40% of AIAS, part of the headlining business	RM2.7mil	Reorganisation and integration of headlining operations with plastic operations
August	JV with TACHI-S for seats business in Vietnam	USD1.2mil	Overseas expansion
Sept	Acquired casting, machining and assembly of aluminium parts and components	RM5.6mil	New upstream business
Oct	JV with DELTA on seating system for Mazda	RM13.8mil	Collaboration with technical partner
Dec	Acquired 52% of Omnimatics, design & assembly of IoT application and devices	RM0.6mil	New business segment

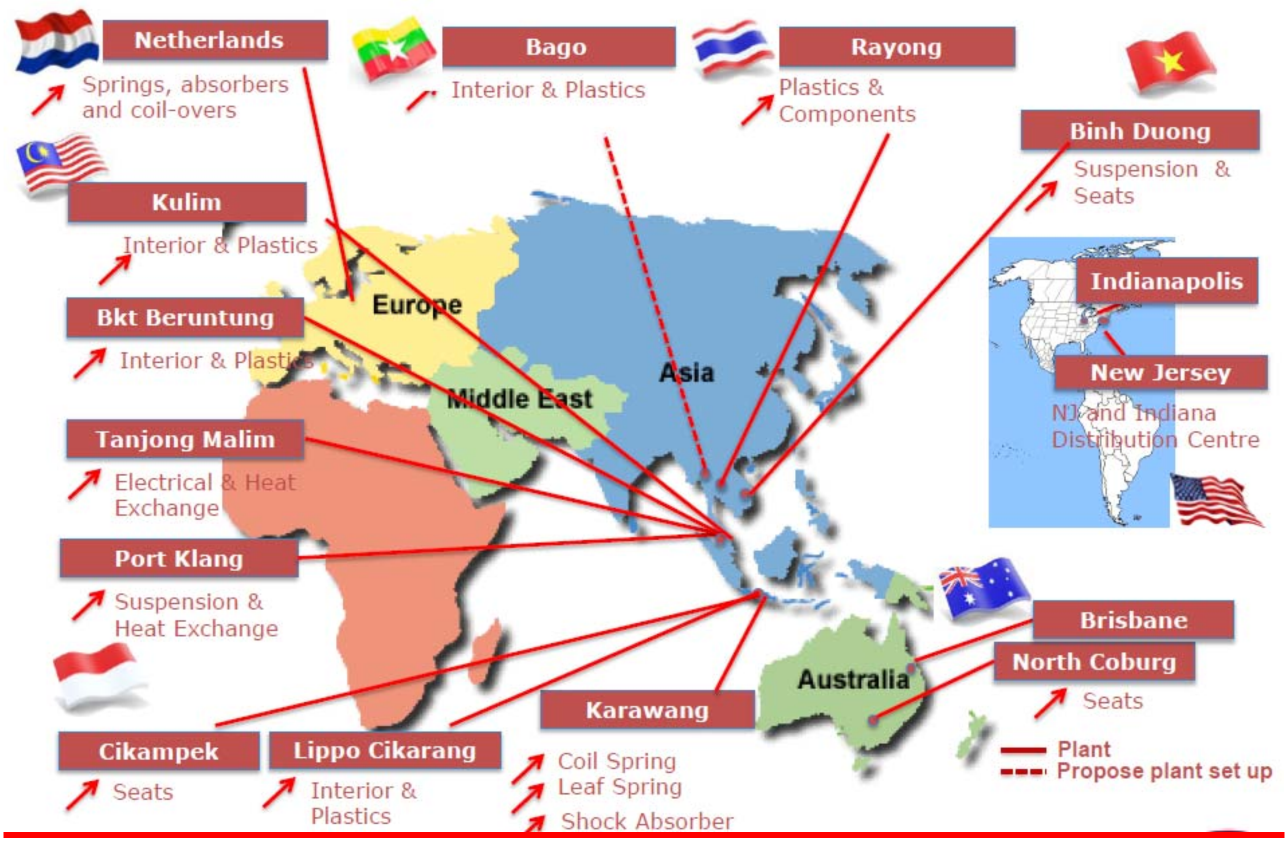
Source: Company

EXHIBIT 8: SEGMENT INFORMATION

Geography	Segments	F16 Revenue %	Activities
Local	Suspension	7%	Leaf Springs, Parabolic Springs, Shock Absorbers, Coil Springs, Coilovers, U-Bolts, Gas Springs
	Interior & Plastics	53%	Public Transportation Seating Systems (bus/coach seats, train/locomotive seats), Automotive Seats, Seats for Auditoriums/Cinemas, Plastic parts for both interior and exterior parts, Extrusion Parts (i.e. roof drips), Interior Trims (i.e. headlinings, door panels and carpets), Safety Belts
	Electricals & Heat Exchange	12%	Starter Motors, Alternators, Wiper Systems, Distributors, Engine Management Systemts, Throttle Bodies, Air-Conditioning Systems, Condensers, Evaporators, Compressors, Radiators, IoT Product & Infotainment Systems
	Marketing	15%	Local Replacement Market, Export Market
Overseas	All other segments	12%	Indonesia, USA, Vietnam, Australia, Netherlands, Thailand, Myanmar
Others	Others/Non-reportable segment	1%	Automotive R&D, Rental of Investment Properties, Management Services, Distribution of motor vehicles, Provision of Management Services for companies within the group

Source: Company

EXHIBIT 9: LOCATION OF PLANTS ACROSS THE WORLD



Source: Company

EXHIBIT 10: SECTOR COMPARISONS

Company	Price	PE (x)			PB (x)			EV/EBITDA (x)			ROE (%)			Dividend Yield (%)			Market cap (mil)
		FY16	FY17F	FY18F	FY16	FY17F	FY18F	FY16	FY17F	FY18F	FY16	FY17F	FY18F	FY16	FY17F	FY18F	
APM Automotive	3.65	11.66	10.80	10.06	0.6	0.6	0.6	3.6	3.2	3.1	4.9	5.4	5.5	5.2	5.2	5.0	713.7
MBM Resources	2.47	11.6	9.7	8.9	0.6	0.6	0.6	71.7	52.8	41.7	4.8	5.7	6.2	2.8	3.0	3.1	965.5
Pecca Group	1.60	16.3	15.2	13.9	2.4	-	-	8.6	8.1	6.7	17.6	12.7	14.2	2.8	7.1	7.7	300.8
Tan Chong Motor	1.84	-	-	30.2	0.4	0.4	0.4	20.4	14.4	11.7	-2.3	-0.5	0.8	2.0	1.3	1.8	1,200.9
UMW Holdings	6.20	-	31.2	19.8	1.2	1.5	1.4	29.7	16.8	12.9	-1.8	3.8	7.7	1.5	1.9	1.9	7,255.1
Bermaz Auto	2.04	11.6	16.6	11.8	4.0	4.3	4.1	8.5	10.8	8.3	37.5	25.2	34.7	4.6	6.0	7.4	2,349.1
DRB-Hicom	1.37	-	-	-	0.4	0.4	0.4	9.6	15.2	9.8	-2.2	-3.0	0.0	3.3	1.6	1.7	2,667.9
Simple average		12.8	16.7	15.8	1.4	1.3	1.3	21.7	17.3	13.5	8.3	7.1	9.9	3.2	3.7	4.1	2,207.6

Company	Primary Product	Revenue			Revenue growth			Net profit			Net profit growth			Net income margin		
		FY14	FY15	FY16	FY14	FY15	FY16	FY14	FY15	FY16	FY14	FY15	FY16	FY14	FY15	FY16
APM Automotive	Auto parts	1,228	1,153	1,237	-2%	-6%	7%	128	98	60	-23%	-39%	-20%	8%	5%	4%
MBM Resources	Car wheels, Motor trading	1,774.1	1,815.1	1,681	-9%	2%	-7%	112	84	62	-19%	-25%	-26%	6%	5%	4%
Pecca Group	Car seat covers	66.1	99.5	130	6%	51%	30%	11	15	18	88%	38%	23%	16%	15%	14%
Sapura Industrial*	Auto brake components	274.3	232.7	224	3%	-15%	-4%	18	8	8	35%	-55%	-6%	7%	4%	3%
New Hoong Fatt Holdings	Auto spare parts, accessories	200.6	207.2	232	-5%	3%	12%	12	19	30	-56%	61%	56%	6%	9%	13%

Source: Bloomberg

EXHIBIT 11: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Revenue	1,152.8	1,236.6	1,267.4	1,353.6	1,446.9
EBITDA	134.7	128.6	135.1	145.3	163.6
Depreciation/Amortisation	(46.1)	(49.4)	(52.1)	(56.7)	(61.6)
Operating income (EBIT)	88.5	79.1	83.0	88.6	102.0
Other income & associates	(3.1)	(2.4)	-	-	-
Net interest	9.6	6.4	5.5	5.3	4.5
Exceptional items	-	-	-	-	-
Pretax profit	95.0	83.2	88.5	93.9	106.5
Taxation	(23.1)	(23.8)	(22.1)	(23.5)	(26.6)
Minorities/pref dividends	11.4	10.8	7.3	7.7	8.8
Net profit	60.5	48.6	59.1	62.7	71.1
Core net profit	70.8	60.4	59.1	62.7	71.1

Balance Sheet (RMmil, YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Fixed assets	466.6	514.3	552.2	591.6	632.5
Intangible assets	23.4	24.6	23.4	22.1	20.9
Other long-term assets	167.3	170.9	170.9	170.8	170.8
Total non-current assets	657.3	709.8	746.4	784.5	824.2
Cash & equivalent	264.2	229.4	227.4	211.6	198.2
Stock	221.8	227.7	235.7	251.7	267.5
Trade debtors	211.2	250.8	263.9	281.8	301.3
Other current assets	195.9	165.6	161.8	164.1	166.3
Total current assets	893.1	873.5	888.8	909.3	933.2
Trade creditors	208.8	217.9	230.0	245.5	260.7
Short-term borrowings	56.2	54.7	57.7	61.7	65.7
Other current liabilities	19.2	19.7	19.7	19.7	19.7
Total current liabilities	284.2	292.3	307.4	326.8	346.1
Long-term borrowings	-	-	-	-	-
Other long-term liabilities	45.6	52.7	52.7	52.7	52.7
Total long-term liabilities	45.6	52.7	52.7	52.7	52.7
Shareholders' funds	1,183.4	1,200.6	1,230.2	1,261.5	1,297.0
Minority interests	37.2	37.8	45.1	52.8	61.6
BV/share (RM)	6.05	6.14	6.29	6.45	6.63

Cash Flow (RMmil, YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Pretax profit	95.0	83.2	88.5	93.9	106.5
Depreciation/Amortisation	46.1	49.4	52.1	56.7	61.6
Net change in working capital	53.2	(49.0)	(5.2)	(20.8)	(22.1)
Others	(25.3)	(9.7)	(22.1)	(23.5)	(26.6)
Cash flow from operations	169.0	74.0	113.3	106.3	119.3
Capital expenditure	(105.9)	(110.5)	(88.7)	(94.8)	(101.3)
Net investments & sale of fixed assets	(63.0)	5.9	-	-	-
Others	0.1	40.4	-	-	-
Cash flow from investing	(168.9)	(64.2)	(88.7)	(94.8)	(101.3)
Debt raised/(repaid)	19.2	(1.5)	3.0	4.0	4.0
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(46.1)	(41.3)	(29.5)	(31.3)	(35.5)
Others	1.7	(2.2)	-	-	-
Cash flow from financing	(25.7)	(45.0)	(26.5)	(27.3)	(31.5)
Net cash flow	(25.6)	(35.1)	(2.0)	(15.8)	(13.5)
Net cash/(debt) b/f	279.4	264.2	229.4	227.4	211.6
Net cash/(debt) c/f	264.2	223.0	227.4	211.6	198.2

Key Ratios (YE31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Revenue growth (%)	(6.1)	7.3	2.5	6.8	6.9
EBITDA growth (%)	(19.8)	(4.5)	5.1	7.6	12.6
Pretax margin (%)	8.2	6.7	7.0	6.9	7.4
Net profit margin (%)	5.2	3.9	4.7	4.6	4.9
Interest cover (x)	nm	nm	nm	nm	nm
Effective tax rate (%)	24.3	28.6	25.0	25.0	25.0
Dividend payout (%)	76.3	84.9	50.0	50.0	50.0
Debtors turnover (days)	78	68	74	74	74
Stock turnover (days)	68	66	67	66	65
Creditors turnover (days)	68	63	64	64	64

Source: Company, AmInvestment Bank Bhd estimates

EXHIBIT 12: PB BAND CHART

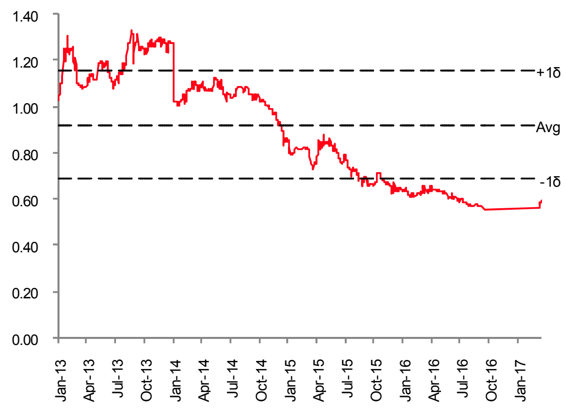
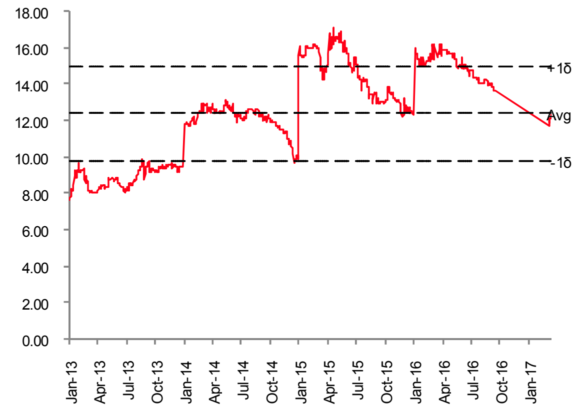


EXHIBIT 13: PE BAND CHART



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