

800 Super Holdings Ltd

Demand drivers remain intact

SINGAPORE | ENVIRONMENTAL SERVICES | UPDATE

- NEA published waste and recycling statistics for 2015.
- More waste generated, waste recycling gaining traction.

What is the news?

National Environment Agency (NEA) published waste and recycling statistics for 2015 last week. Key highlights were the growth in waste disposed and growth in recycling. (Source: <http://www.nea.gov.sg/energy-waste/waste-management/waste-statistics-and-overall-recycling>)

- More waste generated in 2015.** The amount of waste generated in 2015 increased to 7.67mn tonnes, a +2.1% increase over 2014. NEA commented that this was in tandem with population growth and higher affluence.
- Overall recycling rate was up too.** The amount of waste recycled grew +4.0% to 4.65mn tonnes in 2015. In terms of proportion of total waste, waste recycled had a modest increase to 61% from 60%.

What do we think of this?

- Demand drivers we had previously identified are spot on.** We had previously identified on Page 4 of our [trading note](#) (9 September 2014), three drivers of higher waste and recycling: (1) population growth, (2) economic growth and (3) environmental initiatives. We said that there is a "clear trend of increasing waste generated in Singapore in tandem with population and economic growth", with economic growth "leading to higher incomes, higher propensity for consumer discretionary spending (upgrading consumer goods to replace existing goods), resulting in more waste being generated". Moreover, environmental initiatives have led to greater environmental-awareness and consequently recycling of waste is gaining traction.

Maintain "Buy" on the defensive business model; unchanged target price of S\$0.58

800 Super is clearly well-positioned to capitalise on the above mentioned trends, as it provides Waste Management & Recycling services. It is one of four licenced Public Waste Collectors (PWCs) appointed by NEA to provide public waste collection services. 800 Super already has a Material Recovery Facility (MRF) in place, and is in the process of developing a waste to energy (WTE) plant to cater specifically to horticultural waste.

Peer relative data

Company	Price (\$)	Mkt. Cap. (\$mn)	Trailing 12M P/E	Trailing 12M P/B	Trailing 12M EV/EBITDA	Trailing 12M ROA (%)	Trailing 12M ROE (%)
800 SUPER HOLDINGS LTD	0.485	86.7	4.8x	1.5x	5.2x	15.1	34.8
COLEX HOLDINGS LTD	0.350	46.4	7.9x	1.6x	4.0x	15.1	21.9

Source: Bloomberg (Updated: 18 April 2016)

18 April 2016

Buy (Maintained)

CLOSING PRICE	SGD 0.485
FORECAST DIV	SGD 0.023
TARGET PRICE	SGD 0.580
TOTAL RETURN	24.2%

COMPANY DATA

O/S SHARES (MN) :	178.8
MARKET CAP (USD mn / SGD mn) :	64 / 87
52 - WK HI/LO (SGD) :	0.51/ 0.4
3M Average Daily T/O (mn) :	0.12

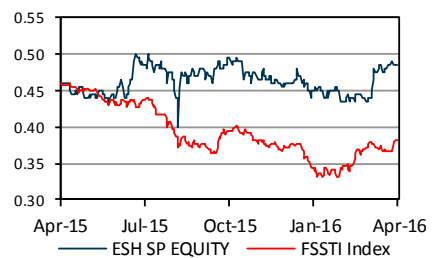
MAJOR SHAREHOLDERS (%)

YONG SEONG INVESTMENT PTE	66.8%
VENSTAR INVESTMENTS LTD	4.9%
KOH YONG LEE	2.8%
HOCK SEONG LEE	2.8%
CHENG CHYE LEE	2.4%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1Y R
COMPANY	10.2	7.8	7.6
STI RETURN	3.1	11.4	(14.6)

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Jun	FY 14	FY 15	FY 16 e	FY 17 e
Revenue (SGD mn)	115.0	140.3	159.6	164.4
PATMI, adj. (SGD mn)	9.0	12.2	13.7	13.9
EPS, adj. (Cents)	5.01	6.80	7.69	7.76
P/E, adj. (x)	5.2	7.1	6.3	6.3
BVPS (Cents)	23.2	32.0	37.7	46.0
P/B (x)	1.12	1.51	1.29	1.05
DPS (Cents)	100	2.00	2.25	2.25
Div. Yield (%)	3.8	4.1	4.6	4.6

Source: Company Data, PSR est.

VALUATION METHOD

7.5x FY16e P/E multiple

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Financials

Income Statement

Y/E Jun, SGD mn	FY13	FY14	FY15	FY16e	FY17e
Revenue	97.5	115.0	140.3	159.6	164.4
Other income	0.34	0.46	0.45	0.43	0.45
EBITDA	10.2	15.6	21.7	24.4	24.9
Depreciation & Amortisation	(3.2)	(4.4)	(7.0)	(7.4)	(7.8)
EBIT	7.0	11.1	14.6	16.9	17.1
Net Finance (Expense)/Inc	(0.36)	(0.50)	(0.90)	(1.06)	(1.09)
Other items	0.05	(0.09)	(0.06)	0.03	-
Exceptional items	-	-	5.4	-	-
Profit Before Tax	6.7	10.5	19.1	15.9	16.0
Taxation	(0.9)	(1.5)	(1.5)	(2.1)	(2.2)
Profit After Tax	5.8	9.1	17.6	13.7	13.9
- Non-controlling interest	0.04	0.11	0.02	-	-
Net Income, reported	5.7	9.0	17.6	13.7	13.9
Net Income, adj.	5.7	9.0	12.2	13.7	13.9

Per share data (Cents)

Y/E Jun	FY13	FY14	FY15	FY16e	FY17e
EPS, reported	3.21	5.01	9.82	7.69	7.76
EPS, adj.	3.21	5.01	6.80	7.69	7.76
DPS	1.00	1.00	2.00	2.25	2.25
BVPS	19.25	23.24	32.03	37.72	46.02

Cash Flow

Y/E Jun, SGD mn	FY13	FY14	FY15	FY16e	FY17e
CFO					
Net income	5.8	9.1	17.6	13.7	13.9
Adjustments	4.4	6.5	4.1	10.6	11.1
WC changes	(1.6)	(10.0)	(3.4)	(3.4)	(0.7)
Cash generated from ops	8.6	5.6	18.3	21.0	24.2
Others	(1.6)	(1.2)	(1.9)	(3.8)	(3.2)
Cashflow from ops	7.0	4.4	16.3	17.2	21.0
CFI					
CAPEX, net	(18.0)	(3.7)	(6.0)	(20.0)	(19.6)
Others	-	-	0.0	-	-
Cashflow from investments	(18.0)	(3.7)	(5.9)	(20.0)	(19.6)
CFF					
Share issuance, net	0.0	-	-	-	-
Loans, net of repayments	9.2	(1.5)	(3.9)	3.8	3.6
Dividends	(1.8)	(1.8)	(1.8)	(3.6)	(4.0)
Others	-	-	-	-	-
Cashflow from financing	7.4	(3.3)	(5.7)	0.2	(0.4)
Net change in cash	(3.5)	(2.6)	4.7	(2.6)	1.0
Effects of exchange rates	-	-	-	-	-
CCE, end	7.9	5.3	10.0	7.4	8.4

Source: Company, Phillip Securities Research (Singapore) Estimates

*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.

Balance Sheet

Y/E Jun, SGD mn	FY13	FY14	FY15	FY16e	FY17e
ASSETS					
PPE	35.9	51.8	67.9	80.5	92.3
Intangibles	-	-	-	-	-
Investments	-	-	-	-	-
Others	0.0	1.6	1.6	1.6	1.6
Total non-current assets	35.9	53.5	69.6	82.1	93.9
Inventories	-	-	-	-	-
Trade receivables	21.2	31.1	40.0	45.5	46.9
Cash	7.9	5.3	10.0	7.4	8.4
Others	2.0	1.7	2.4	2.8	2.7
Total current assets	31.1	38.1	52.4	55.7	58.0
Total Assets	67.0	91.6	121.9	137.8	151.9
LIABILITIES					
Trade payables	10.6	12.1	18.1	20.5	21.2
Short term loans	2.3	6.8	8.3	9.6	9.6
Others	1.0	1.2	1.7	1.4	1.4
Total current liabilities	13.8	20.1	28.0	31.5	32.1
Long term loans	17.4	28.1	34.8	37.3	35.9
Others	1.4	1.9	1.9	1.6	1.6
Total non-current liabilities	18.8	30.0	36.7	38.9	37.5
Total Liabilities	32.6	50.0	64.7	70.4	69.6
EQUITY					
Non-controlling interests	0.09	0.05	-	-	-
Shareholder Equity	34.3	41.5	57.3	67.4	82.3

Valuation Ratios

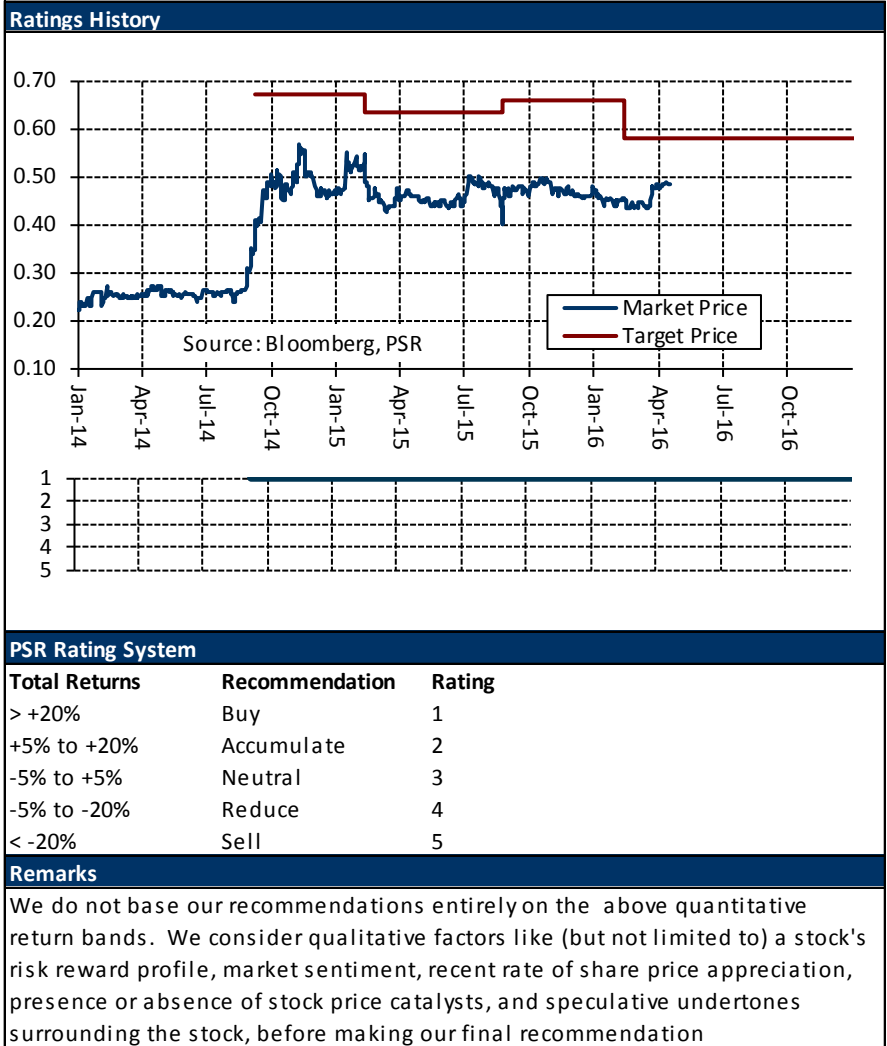
Y/E Jun	FY13	FY14	FY15	FY16e	FY17e
P/E (X), adj.	6.9	5.2	7.1	6.3	6.3
P/B (X)	1.2	1.1	1.5	1.3	1.1
EV/EBITDA (X), adj.	5.1	4.9	5.5	5.2	5.0
Dividend Yield (%)	4.5%	3.8%	4.1%	4.6%	4.6%

Growth & Margins (%)

Growth					
Revenue	10.0%	17.9%	22.0%	13.8%	3.0%
EBITDA	1.6%	52.4%	39.3%	12.4%	2.3%
EBIT	-2.7%	58.4%	31.6%	15.5%	1.3%
Net Income, adj.	-3.4%	56.3%	35.6%	13.0%	0.9%
Margins					
EBITDA margin	10.5%	13.5%	15.4%	15.3%	15.2%
EBIT margin	7.2%	9.7%	10.4%	10.6%	10.4%
Net Profit Margin	5.9%	7.8%	8.7%	8.6%	8.4%

Key Ratios

ROE (%)	17.7%	23.6%	24.6%	22.0%	18.5%
ROA (%)	9.7%	11.3%	11.4%	10.6%	9.6%
Net Debt or (Net Cash)	20.1	34.9	42.8	50.4	48.7
Net Gearing (X)	58.4%	83.9%	74.8%	74.8%	59.2%



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