

800 Super Holdings Ltd

Management raised their stake



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SINGAPORE | INDUSTRIALS | UPDATE

11 September 2018

- Largest shareholder now controls 67.63% of the Company
- Management controls the largest shareholder
- Previous time Management bought shares in the Company was February 2016
- Expect to see a price floor at \$0.82

What is the news?

800 Super Holdings Ltd (the Company) announced that Yong Seong Investment Pte. Ltd. (YSI) has increased its interest in the Company.

- **Largest shareholder, YSI, now controls 67.63% of 800 Super.** YSI previously controlled 66.96% of the Company. YSI had purchased 1,191,000 shares at an average price of \$0.823/share (total 178,800,000 shares in the capital of the company).

Figure 1: Management purchase in September 2018

Date	Number of shares acquired	Amount paid	Average price
Sept. 6, 2018	575,400	\$462,253.34	\$0.803
Sept. 7, 2018	615,600	\$517,971.50	\$0.841
Total	1,191,000	\$980,224.84	\$0.823

Source: SGXNet, PSR

- **YSI is held by Management.** Mr Lee Koh Yong (Executive Chairman), Mr Lee Hock Seong (Brother of the CEO and Executive Chairman) and Mr Lee Cheng Chye (CEO) hold a 28%, 28% and 24% stake in YSI, respectively.

How do we view this?

- **Previous time Management purchased shares in the Company was February 2016.** YSI had purchased 1,461,000 shares over two days at an average price of \$0.437. The share price had subsequently rallied more than 150% within two years, as at February 2018.

Figure 2: Management purchase in February 2016

Date	Number of shares acquired	Amount paid	Average price
Feb. 15, 2016	782,000	\$340,170.00	\$0.435
Feb. 15, 2016	13,900	\$5,977.00	\$0.430
Feb. 16, 2016	665,100	\$292,644.00	\$0.440
Total	1,461,000	\$638,791.00	\$0.437

Source: SGXNet, PSR

- **Expect to see a price floor at S\$0.82.** We believe this purchase by Management sends a positive signal to the market that they are willing to buy at this price level. As such, we expect to see a price floor at S\$0.82. Since our [previous report](#) last week (Sept. 3), the share price has pared about half of its fall, following the surprise 4Q FY18 loss.

Investment Action: Maintain BUY, unchanged target price of \$1.03

The outlook is positive. New projects of the sludge treatment facility and Pasir Ris-Bedok public waste collection contract start contributing in 1Q FY19. Our target price gives an implied FY19e forward P/E multiple of 13.0x. As FY19e is transitional, we think that FY20e is a better representation of a normalised full year. We estimate 8.18 cents EPS and 7.84 cents free cash flow per share in FY20e. The current price of 86.5 cents/share is 11.0x of FY20e free cash flow per share and gives a 2.3% dividend yield (based on our FY20e assumption of 2 cents).

BUY (Maintained)

LAST CLOSE PRICE	SGD 0.87
FORECAST DIV	SGD 0.02
TARGET PRICE	SGD 1.03
TOTAL RETURN	20.8%

COMPANY DATA

BLOOMBERG CODE:	ESH SP
O/S SHARES (MN):	178.8
MARKET CAP (USD mn / SGD mn):	131 / 179
52 - WK HI/LO (SGD):	128 / 0.99
3M Average Daily T/O (mn):	0.02

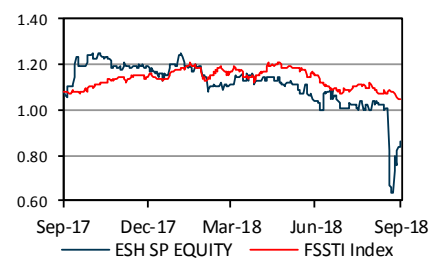
MAJOR SHAREHOLDERS (%)

YONG SEONG INVESTMENT PTE	67.6%
KOH YONG LEE	2.8%
HOCK SEONG LEE	2.8%
CHENG CHYE LEE	2.4%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1Y R
COMPANY	(16.0)	(19.2)	(20.7)
STIRETURN	(5.2)	(8.4)	0.7

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Jun	FY 17	FY 18	FY 19 e	FY 20 e
Revenue (SGD mn)	157	151	180	188
PATMI (SGD mn)	17.1	9.2	14.2	14.6
EPS (cents)	9.58	5.12	7.93	8.18
P/E, adj. (x)	13.8	16.9	10.9	10.6
BVPS (cents)	45.1	46.8	53.6	60.2
P/B (x)	2.93	185	161	144
DPS (cents)	4.0	10	15	2.0
Div. Yield (%)	3.0	12	17	2.3

Source: Company Data, PSR est.

VALUATION METHOD

DCF (WACC: 6.9%; Terminal g: 15%)

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Financials

Income Statement

Y/E Jun, SGD mn	FY16	FY17	FY18	FY19e	FY20e
Revenue	156.4	156.9	151.1	180.2	187.6
Other income	0.4	0.4	0.5	0.5	0.6
EBITDA	27.9	30.6	22.9	31.6	32.8
Depreciation & Amortisation	(8.2)	(9.0)	(10.1)	(14.6)	(15.4)
EBIT	19.7	21.6	12.8	17.0	17.4
Net Finance (Expense)/Inc	(1.0)	(0.7)	(0.8)	(0.8)	(0.6)
Other items	(0.13)	(0.10)	(0.20)	-	-
Profit Before Tax	18.6	20.8	11.7	16.2	16.8
Taxation	(1.9)	(3.7)	(2.6)	(2.1)	(2.2)
Profit After Tax	16.7	17.1	9.1	14.2	14.6
- Non-controlling interest	-	(0.03)	(0.04)	(0.03)	(0.03)
PATMI	16.7	17.1	9.2	14.2	14.6

Per share data (cents)

Y/E Jun	FY16	FY17	FY18	FY19e	FY20e
EPS	9.36	9.58	5.12	7.93	8.18
DPS	2.50	4.00	1.00	1.50	2.00
BVPS	39.39	45.09	46.82	53.59	60.22

Cash Flow

Y/E Jun, SGD mn	FY16	FY17	FY18	FY19e	FY20e
CFO					
Net income	16.7	17.1	9.1	14.2	14.6
Adjustments	11.3	13.4	14.1	17.5	18.2
WC changes	7.5	2.5	(5.0)	(1.1)	(0.3)
Cash generated from ops	35.5	33.0	18.2	30.5	32.5
Others	(2.8)	(3.4)	(2.4)	(2.8)	(2.8)
Cashflow from ops	32.7	29.6	15.8	27.6	29.7
CFI					
CAPEX, net	(12.9)	(24.6)	(56.1)	(33.2)	(15.7)
Others	(0.03)	(0.35)	(5.46)	-	-
Cashflow from investments	(12.9)	(24.9)	(61.5)	(33.2)	(15.7)
CFF					
Share issuance, net	-	0.02	-	-	-
Loans, net of repayments	(5.6)	6.0	32.5	16.0	(5.0)
Dividends	(3.6)	(6.3)	(5.4)	(1.8)	(2.7)
Others	-	-	(0.9)	-	-
Cashflow from financing	(9.1)	(0.3)	26.3	14.2	(7.7)
Net change in cash	10.7	4.4	(19.5)	8.6	6.3
Effects of exchange rates	(0.1)	0.1	(0.0)	-	-
CCE, end	20.6	25.1	5.6	14.2	20.6

Source: Company, Phillip Securities Research (Singapore) Estimates

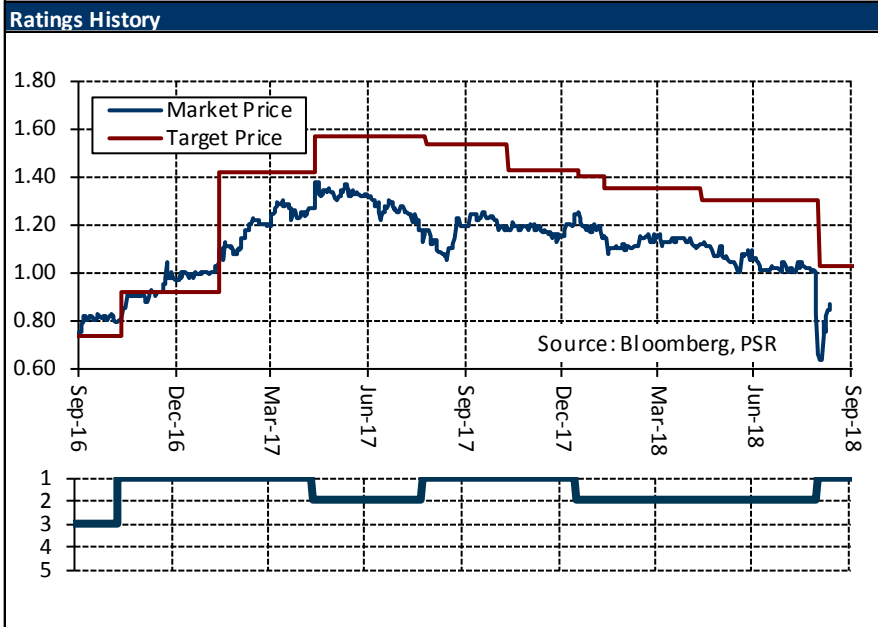
*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.

Balance Sheet

Y/E Jun, SGD mn	FY16	FY17	FY18	FY19e	FY20e
ASSETS					
PPE	84	99	166	185	185
Others	1	1	1	1	1
Total non-current assets	85	101	167	186	186
Trade receivables	34	30	35	41	43
Cash	21	25	6	14	21
Others	2	2	2	2	2
Total current assets	56	57	42	58	66
Total Assets	141	158	210	244	252
LIABILITIES					
Trade payables	21	20	32	38	40
Short term loans	11	11	19	2	2
Others	3	3	1	1	1
Total current liabilities	35	34	52	41	42
Long term loans	35	41	71	104	99
Others	1	2	4	4	4
Total non-current liabilities	36	43	74	107	102
Total Liabilities	71	77	126	148	145
EQUITY					
Non-controlling interests	-	(0)	(0)	(0)	(0)
Shareholder Equity	70	81	84	96	108

Valuation Ratios

Y/E Jun	FY16	FY17	FY18	FY19e	FY20e
P/E (x), adj.	7.3	13.8	20.7	10.9	10.6
P/B (x)	1.7	2.9	2.3	1.6	1.4
EV/EBITDA (x), adj.	5.3	8.6	11.9	7.8	7.1
Dividend Yield (%)	3.7	3.0	0.9	1.7	2.3
Growth & Margins (%)					
Growth					
Revenue	11.5%	0.3%	-3.7%	19.2%	4.1%
EBITDA	3.2%	9.6%	-25.3%	38.3%	3.8%
EBIT	-1.6%	9.4%	-40.8%	33.1%	2.4%
Net Income	37.6%	2.3%	-46.5%	54.9%	3.2%
Margins					
EBITDA margin	17.9%	19.5%	15.1%	17.5%	17.5%
EBIT margin	12.6%	13.8%	8.5%	9.4%	9.3%
Net Profit Margin	10.7%	10.9%	6.1%	7.9%	7.8%
Key Ratios					
ROE (%)	26.2%	22.7%	11.1%	15.8%	14.4%
ROA (%)	12.7%	11.4%	5.0%	6.3%	5.9%
Debt-to-Equity (x)	0.65	0.65	1.06	1.10	0.93
Net Debt or (Net Cash)	25.2	26.9	83.5	90.8	79.5
Net Gearing (x)	0.36	0.33	1.00	0.95	0.74



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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