# SHS Holdings Ltd

*Exporting construction technology*

## SINGAPORE | CONSTRUCTION | INITIATION

- Expect a surge in modular business sourced from New Zealand
- Upcoming recurring revenue from a solar project in Bangladesh
- Recovery in marine and construction sector to support legacy businesses
- Initiate coverage with **BUY** rating with TP of S$0.29, based on FY19e EPS of 2.9 SCents and 10x PE multiple

### Company Background

SHS Holdings Ltd (SHS) generates revenue from two existing business segments:

(i) Corrosion prevention of marine vessels and other steel structures;
(ii) Structural steel for buildings.

We expect future growth will come from two new business segments:

(i) Modular construction under its Vietnam based subsidiary, TLC Modular. It manufactures steel prefabricated prefinished volumetric construction (PPVC) and prefabricated bathroom unit (PBU).
(ii) A solar project in Bangladesh under subsidiary Sinenergy.

### Investment Merits

1. **Modular business boosted by strong demand in New Zealand.** There is a huge shortage of housing in New Zealand – demand for new houses is around 18,000 p.a. while supply is struggling at 10,000. Since 2009, there has been a cumulative shortfall of nearly 44,700 units. We believe this gives TLC Modular an opportunity to penetrate the market by exporting its PPVC products to New Zealand. The speed and cost advantage makes it a compelling product, in our opinion. TLC recently announced two projects worth S$28m in New Zealand. Another project running is the Cosa hotel, estimated to complete in 2H18.
2. **Recurring revenue from solar projects.** SHS has secured a solar farm project under its subsidiary Sinenergy with the Bangladesh government, to provide 20 years of electricity. The 50 MW project was designed, constructed, financed, owned and operated by Sinenergy. We expect the project to generate a net profit of around S$4mn from FY19e.
3. **Recovery of construction and oil & gas sector will contribute to SHS core revenues.** The group's Structural Steel and Corrosion Prevention businesses are heavily correlated to the construction and oil & gas sector. The recent protracted downturn of the marine, oil and gas sector has affected the group's overall profitability. With crude oil prices starting to recover and the increase in construction activities, these segments are poised for a slow turnaround.

**We initiate coverage on SHS with a BUY rating and a target price of S$0.29.** We are pegging SHS to other construction companies with prefabricated and structural steel business in Singapore. Our target price is based on 10X FY19e PE. We gave a 10% discount on SHS to its peers as we take a more conservative approach in SHS's valuation.

25 May 2018

**BUY (INITIATION)**

| | |
|---|---|
| CLOSING PRICE | SGD 0.235 |
| FORECAST DIV | SGD 0.001 |
| TARGET PRICE | SGD 0.290 |
| **TOTAL RETURN** | 23.8% |

**COMPANY DATA**

| | |
|---|---|
| O/S SHARES (MN) : | 685 |
| MARKET CAP (USD mn / SGD mn) : | 115 / 151 |
| 52 - WK HI/LO (SGD) : | 0.25 / 0.2 |
| 3M Average Daily T/O (mn) : | 0.58 |

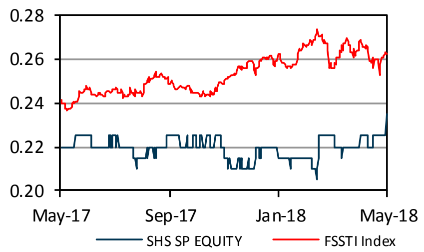
**MAJOR SHAREHOLDERS (%)**

| | |
|---|---|
| Kiat Teng Choon | 28.5% |
| Ng Han Kok | 17.4% |
| Alexander Stone R | 5.0% |

**PRICE PERFORMANCE (%)**

| | 1MTH | 3MTH | 1YR |
|---|---|---|---|
| COMPANY | 3.2 | 5.6 | 3.2 |
| STI RETURN | (10) | 0.5 | 12.2 |

**PRICE VS. STI**




Source: Bloomberg, PSR

**KEY FINANCIALS**

| Y/E Dec, SGDmn | FY16 | FY17 | FY18e | FY19e |
|---|---|---|---|---|
| Revenue | 56 | 38 | 62 | 112 |
| Gross Profit | 16 | 4 | 10 | 38 |
| EBIT | 6.9 | (18.2) | 1.5 | 25.9 |
| Net Profit | 12 | (20) | 1 | 22 |
| ROE (x) | 5.4% | -9.0% | 0.7% | 9.0% |
| ROA (x) | 4.7% | -7.2% | 0.5% | 6.9% |

Source: Company, PSR

**VALUATION METHOD**

P/E Multiple @ 10 X

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## Background

SHS Holdings Ltd currently derives revenue from Corrosion Prevention, Structural Steel and Facade Engineering. However, future growth will mainly come from its two new business segments, i.e. Solar Energy and Modular Construction.

(i) **Structural Steel Engineering** engages in the design, engineering, and construction of steel and aluminium.

(ii) The **Corrosion Prevention** segment is involved in the coating and blasting of raw materials, mainly steel structures, steel plates and fabricated modules.

(iii) **Solar Energy** is operated under its subsidiary Sinenergy, which engages in the engineering, procurement and construction of solar power projects. It currently runs projects in Singapore and Bangladesh, both involved in the sale of solar electricity.

(iv) **Modular construction** is operated under its Vietnam based subsidiary, TLC Modular. It offers prefabricated construction solutions in the form of prefabricated prefinished volumetric construction (PPVC) and prefabricated bathroom unit (PBU).

**Revenue Breakdown by segments:**

Figure 1: 2018e

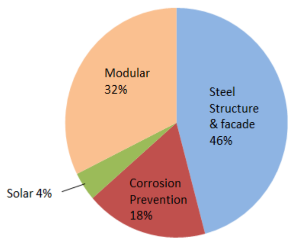
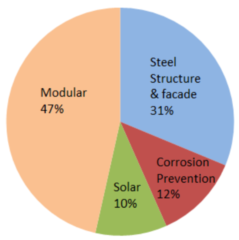



Figure 2: 2019e




## The Four Business Segments

### 1. MODULAR CONSTRUCTION

TLC Modular is located in Ho Chi Minh, Vietnam. Modular construction is a construction process where a building is constructed 90% off-site in a controlled factory environment. These units are then transported on-site to be pieced together into a building. Only 10% of work is required on-site. Trucks carrying the module to the site (Figure 3) can easily undertake transportation. Mechanical, electrical and plumbing work can be completed off-site such as air conditioning, internal wirings, lights and finished floors. TLC Modular's 2 key products are steel PBU and PPVC (Figures 4, 5 and 8). Such modules can be used in the construction of residential houses, apartment, hotels, portable accommodation, cabins, commercial and office construction.

**There are 2 broad types of PPVC:**

1. Reinforced Concrete PPVC    2. Steel PPVC


Source: BCA

**Timeline summary:**

*1971-1980*
- *Started operations in manual blasting & painting to the marine industry*
- *Residential contractor for corrosion prevention work for Keppel Shipyard*

*2000*
- *IPO and listed on SESDAQ*
- *Acquired Lesoon group*

*2008*
- *Upgraded to Main Board of SGX-ST*

*2010*
- *Acquired TAT Petroleum Pte Ltd*

*2012*
- *Acquired 51% of Eastern Tankstore Pte Ltd*
- *JV with Ho Lee Group, Evia Real Estate Mangement Pte Ltd, CNH investment Pte Ltd for Heron Bay condo*

*2014*
- *Acquired Hetat Holdings Pte Ltd.*
- *Mini- Hydropower projects in Indonesia*

*2015*
- *Establishment of 60% owned subsidiary Sinenery Pte Ltd for solar segment*
- *Lubricant distributor in Vietnam*
- *Disposal of TAT Petroleum Pte Ltd*

*2016*
- *Acquired 60% of TLC Modular Pte Ltd.*
- *Establish 65% owned subsidiary HDFC SinPower Limited to build and operate Bangladesh power plant*
- *Establishment of a 51% owned subsidiary Changi Mega Solar Pte Ltd for the business of electricity transmission*

*2017*
- *HDFC SinPower to complete power plant project in Bangladesh*
- *TLC Modular currently running a portfolio of projects, which includes the Cosa Hotel in New Zealand and Lend Lease Paya Lebar.*

Figure 3: Transportation of PPVC by trucks


Source: BCA

Figure 4: PBU


*Source: Company*

Figure 5: Fully furnished PBU

*Source: BCA*

The group's focus is on the construction of steel PPVC. Steel PPVC is suitable for export as it is lighter compared to reinforced concrete PPVC, thereby lowering transportation costs.

Figure 6: Advantages of PPVC

| PPVC vs Traditional construction |
| --- |
| 1. Increased safety |
| 2. 40% Faster |
| 3. Easily transportable |
| 4. Better quality control |
| 5. Better construction environment |
| 6. Design flexibility |
| 7. Higher quality and stronger construction |
| 8. Reduction in environmental impact and waste |

Source: BCA

**Capacity**

The current factory has 5,000 sqm that is used for PPVC construction. Production capacity for the factory is at 480 PPVC units. In anticipation of an increase demand, the group has started construction of a new 28,000 sqm factory with a capacity of 1,500 units (or c.3x its current capacity). The new factory is slated to commence operations by 2Q19. Total production capacity will add up to 1,980 PPVC units.

**Projects**

TLC has recently secured two projects in New Zealand, adding S$28m into its order book. The first project is to design and build a serviced apartment for Global Yellow Pages in Queenstown which is made up of 217 PPVC units. The completion of the construction is estimated to be in FY19. The second project is for the first phase of Godley Hotel's refurbishment in Tekapo which consist of 20 PPVC units. The targeted completion of this project is by FY18. TLC is also currently running the Cosa Hotel project in Christchurch, which is estimated to complete in 2H18. TLC manages projects in Singapore and Western Australia as well.

Figure 7: Artist impression of the Cosa Hotel

Source: Company

Figure 8: PPVC unit at construction site

*Source: TLC Modular*

**What is PBU?**

*It is a prefabricated bathroom unit where a bathroom unit is preassembled off-site completed with finishes, conduits , concealed pipes, ceiling, cabinets, shower screen and fittings before being installed on-site.*

**PPVC in Singapore:**

*The Singapore government is pushing for more productive methods in the construction industry. The use of PPVC is mandated across almost half the government land sales site. The Housing and Development Board reported that it would adopt concrete PPVC in 35% of upcoming projects for the next two years.*

*Building and Construction Authority estimates that 10% to 15% of construction companies have adopted the Design for Manufacturing and Assembly technologies so far. By 2020 they aim to raise this to 40%.*

**Completed steel PPVC Projects in Singapore:**

1. *Crowne Plaza Changi Airport*
2. *Nanyang Technological University residential halls*

**Reasons for not being the first mover for PPVC in Singapore:**

- *Pay a higher price to learn from mistakes → Cheaper to copy from first movers*
- *Unfamiliar with tender requirements & the risks and complexities → could incur loss or result in lower project quality*
- *Hard to remain competitive while picking up new building technology*
- *Heavier initial start-up costs due to software systems*

## 2. STRUCTURAL STEEL & FACADE (SSF)

SSF is the group's current largest revenue contributor at 68% of FY17 group revenue. SSF is primarily engaged in the business of designing, engineering and construction of steel, aluminium and glass structures. SSF's work processes include evaluating materials, construction methods, costs, risks and sustainability. SSF portfolio of projects includes the SMU Law library, 11-km of high-specification barrier system at the Singapore Formula 1 Grand Prix, Singapore Sports Hub's pedestrian bridge, the installation of artwork canopies at Gardens by the Bay, canopies at Westgate shopping mall, and industrial structures at Hyflux's desalination plant and Yeh Brothers Woodworks factory in Malaysia. Major competitors in Singapore include Yongnam and TTJ.

Figure 9: SMU Law Library

*Source: SMU, Company*

## 3. CORROSION PREVENTION (CP)

The CP segment services the marine, oil and gas, construction and infrastructure industries. Corrosion prevention lengthens the lifespan of metal structures by repairing and protecting damaged metal surface in metal structures. This is primarily done by using different blasting methods to remove damaged paint from the structure and applying a fresh coat of paint.

Figure 10: Corrosion prevention

*Source: Company*

CP offers various types of products and services ranging from plant operations, tank coating & on-site grit blasting, trading. Plant operations involve blasting and coating of raw materials namely steel plates and steel structures. Tank coating is a process of controlled grit blasting and paint coating for internal surfaces of chemical tankers and floating, production, storage and offload vessels. The control of humidity during tank coating is crucial in preventing oxidation of metallic surfaces between the time the surface is blasted and when the first protective coat of paint is applied. On-site grit blasting and coating services is offered when the metal structures are too large to be brought to CP facilities. As such, the group has an arsenal of mobile blasting equipment to cater for the job. The trading division designs, supplies and distributes CP systems and machinery.

## 4. SOLAR ENERGY (SE)

The SE segment is operated under its subsidiary Sinenegry. It engages in the engineering, procurement and construction (EPC) of solar power projects. It currently runs projects in Singapore and Bangladesh, both involved in the sale of solar electricity. The company bears capital expenditure costs in these projects. In Singapore, Sinenergy is an EPC company that runs projects in both commercial and residential areas. In 2016, Sinenegry completed a 4MW grid-tiered solar photovoltaic system on the rooftop of SATS Airfreight Terminals 5 and 6 at Singapore Changi Airport. The sale of electricity has since started and will be ongoing for a total of 20 years. Sinenergy has a portfolio of residential projects in many parts of Singapore such as Springleaf, Wak Hassan and Woodlands Terrace. In Bangladesh, Sinenergy has secured a 50 MW solar farm project with the Bangladesh development board to provide 20 years of electricity at US$0.17/kWh. We expect construction to be completed in FY19. We expect the project will generate yearly revenue and earnings of S$14mn and S$4mn respectively. We factored in 1% decline of operating efficiency because of required maintenance, this is standard across the industry.

Figure 11: SATS Rooftop

*Source: Sinenergy*

Figure 12: Springleaf residence

*Source: Sinenergy*

Figure 13: Key Assumptions

| Bangladesh Project | |
|---|---|
| Cost of Capital | 10% |
| Internal Rate of Return | 15.70% |
| Interest rate | 7% |
| Decline per year | -1% |
| Operating hrs (Sunlight per day) | 4.75 hrs |
| Tenure | 20 Yrs |

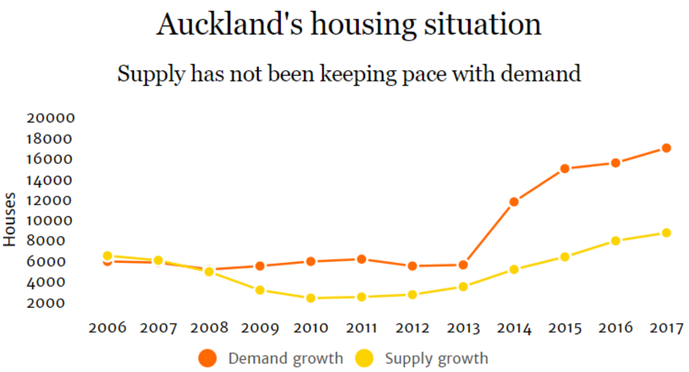
*Source: PSR*

## The New Zealand Opportunity for Modular Business

We expect New Zealand housing market to be the primary growth driver for SHS modular business. The housing shortage in New Zealand can best be resolved through modular construction methods. SHS has already made progress through the construction of Cosa Hotel and Ramada Encore Hotel in Christchurch New Zealand. We look forward to more projects in the pipeline.

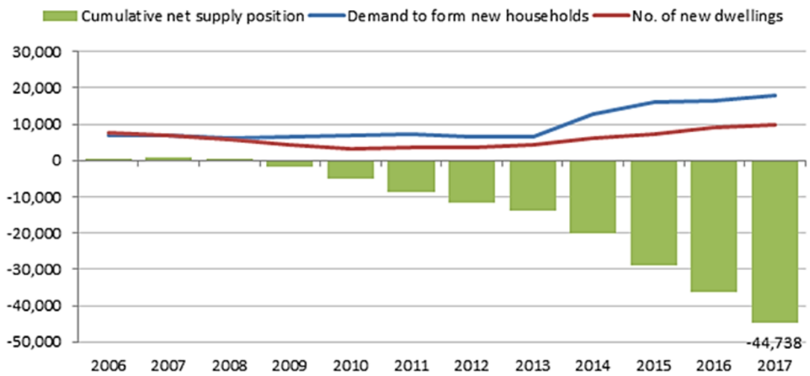
Demand for new homes is around 18,000 p.a. whilst supply stands at only 10,000 (Figure 14). There is an estimated cumulative shortfall of 44,738 (Figure 15).

Figure 14: Auckland Housing demand vs Supply




*Source: MBIE*

Figure 15: Demand vs Supply in Auckland




*Source: MBIE and Statistics New Zealand*

New Zealand is experiencing a huge deficit in housing, placing it as the worst in homelessness in the OECD (Figure 16). The reason for the shortfall in housing is due to:

(i) **Halt in construction** and slow pick up of construction activities after the global financial crisis in 2008. Auckland, the largest urban area in New Zealand, suffered the most from the shortfall. If Auckland were to build houses at the same rate as the rest of the country, it would need to build approximately 50,000 dwellings and would require nearly 9,000 additional construction workers.

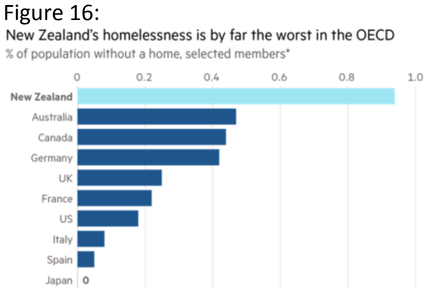
(ii) **Shortage of manual labour** is also another factor contributing to the shortfall, which in turn **raises the costs of labour**.

(iii) To make matters worse, **Auckland's population increased at an alarming rate**, with a net gain of 120,000 migrants in the past five years. Population increased more in Auckland than the rest of New Zealand combined, but only half as many new dwelling permits were issued in Auckland. Real estate prices increased by more than 200% between 1992 and 2016.

Challenges of using prefab steel in Singapore:

- *Buildings in Singapore require higher structural integrity because of the height of buildings. When exposed to heat, in the case of fire, the integrity of steel structure will half as compared to reinforced concrete*
- *Material costs for steel is more expensive as compared to concrete*
- *Maintenance of steel structures is costlier (corrosion, etc.)*
- *Guarantee for steel structures is around 50 years*

Figure 16:




*Source: OECD*

To address the shortfall, the government is looking to aggressively launch more public homes with the support of the private sector. In 2017, the private sector has built 8,000 homes a year in Auckland.

The Ministry of Social Development (MSD) has plans to add more than 3,500 homes to Auckland's public housing over the next two years and 72,000 homes by June 2020 for the whole country. This equates to 1,777 homes per year in Auckland. This creates a surge in demand for modular construction in New Zealand as PPVC offers the speed required to reach the target set by MSD.

Figure 17: New Zealand public housing by region

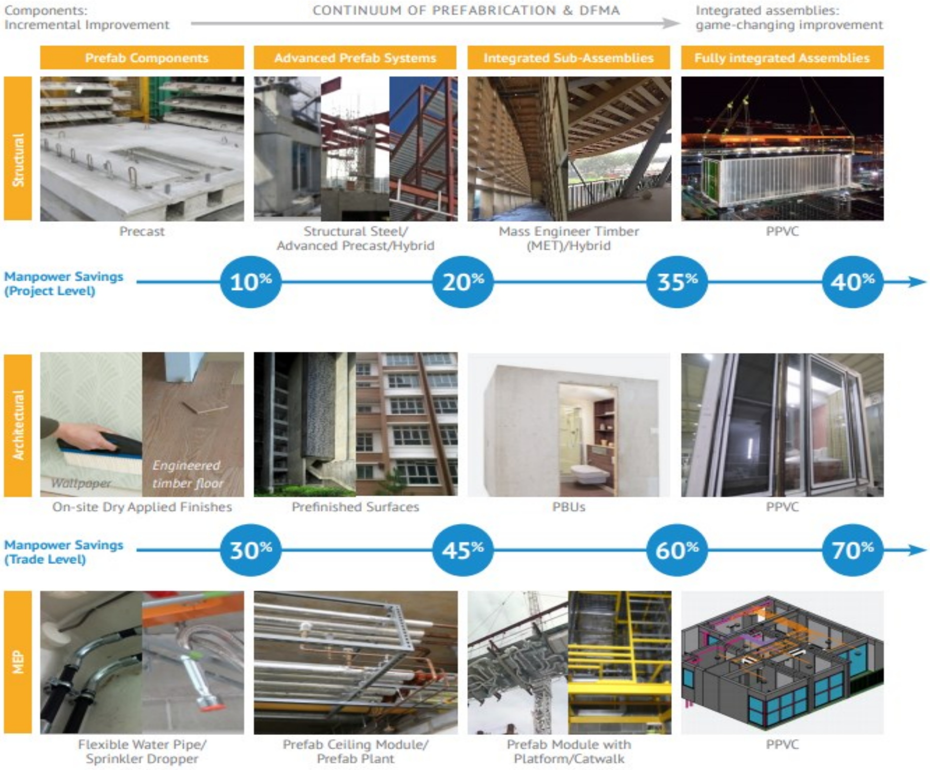
| Region | Number of public housing units at 03.09.17 | 2020 Public Housing Target | Increase by June 2020 | Change |
|---|---|---|---|---|
| Auckland | 30,249 | 33,803 | +3,554 | +11.8% |
| Wellington | 8,533 | 9,060 | +527 | +6.2% |
| Canterbury | 7,379 | 7,552 | +173 | +2.3% |
| Others | 20,206 | 21,585 | +1,419 | +6.8% |
| Total NZ | 66,367 | 72,000 | +5,673 | +8.6% |

*Source: New Zealand Ministry of Social Development*

**Understanding the value SHS can provide:**

1. **Speed:** Because modular construction can occur concurrently with the site and foundation works, projects can be completed up to 40% faster than traditional construction. Since 90% of the construction is completed inside the factory this mitigates risks of weather delays, which is largely prevalent in New Zealand. Furthermore, due to the repetitive nature of modular construction, projects can be completed with greater level of efficiency and quality.

Figure 18: Manpower savings of PPVC




Source: BCA

2. **Lower overall cost**: Labour costs in New Zealand averages to US$20.14 an hour, as compared to Vietnam's US$7.25. There will be significant cost savings since 90% of the prefabricated work is done in Vietnam and then shipped over to New Zealand. Shipment cost will be relatively cheaper as TLC modular constructs the lighter steel PPVC instead of the heavier concrete PPVC. These factors allow SHS's PPVC products to be priced more competitively.

3. **Better structural integrity (Quality):** Timber is the raw material normally used for residential construction in New Zealand. PPVC products offer better structural integrity as compared to the conventional way of construction in New Zealand.

## Investment Merits

1. **Robust modular business boosted by strong demand in New Zealand.** There is a huge shortage of housing in New Zealand. Demand for new houses is almost 18,000 per year while supply is only 10,000. Since 2009 there has been an estimated cumulative shortfall amounted to 44,738. This gives TLC Modular the opportunity to penetrate the market by exporting PPVC to New Zealand, because of the speed and cost reduction it is able to offer to developers alongside with the flexibility and efficiency offered in the nature of PPVC construction. We believe TLC Modular is building up a track record of reliability and experience in New Zealand.

2. **Recurring revenue from solar projects.** The group has secured a solar farm project under its subsidiary Sinenergy with the Bangladesh development board, to provide 20 years of electricity. The 50 MW project was designed, constructed, financed, owned and operated by Sinenergy. The project will generate yearly forecasted revenue and earnings of S$14mn and S$4mn respectively to the group.

3. **Recovery of construction and oil & gas sector will contribute recovery of SHS core revenues.** We have a rebound in overall construction contracts awarded in Singapore. This will be supportive for the structural steel business. In addition, the rise of oil prices has resulted in increased activity in the oil and gas sector. We expect both businesses to enjoy a turnaround in revenues and profitability.

## Valuation

We initiate coverage on SHS with a BUY rating and a target price of S$0.29. We are pegging SHS to other construction companies with prefabricated and structural steel business in Singapore. Our target price is based on 10X FY19e PE. We gave a 10% discount on SHS to its peers' average of 11.2x (Figure 19) as we take a more conservative approach in SHS's valuation.

Figure 19: Sector valuations of construction peers

| Company | 1 Mth Perf. | 3 Mth Perf. | YTD Perf. | Share Px Local | Market Cap (S$ m) | PE FY17 | P/BV FY17 | Dividend Yield | ROE FY17 | EV/ EBITDA | EBITDA Margin | EV (S$ m) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Lian Beng Group Ltd | -2.2% | -10.1% | -10.1% | 0.60 | 297.3 | 5.6 | 0.5 | 1.7% | 8.5% | 16.3 | 20.3% | 931.0 |
| TA Corp Ltd | -9.3% | 2.1% | 2.1% | 0.23 | 115.0 | N.A | 0.6 | 4.3% | -9.8% | -33.7 | -5.5% | 395.0 |
| OKP Holdings Ltd | 2.9% | 4.4% | 4.4% | 0.34 | 104.9 | 8.2 | 0.9 | 2.1% | 10.7% | 1.5 | 12.2% | 21.2 |
| Prefab | | | | | | | | | | | | |
| Soil Build Construction | -11.0% | -3.8% | -3.8% | 0.15 | 103.6 | N.A | 1.2 | 3.2% | -7.0% | -17.0 | -2.6% | 87.0 |
| Chip Eng Seng Corp Ltd | 4.2% | 1.0% | 1.0% | 0.94 | 583.8 | 16.4 | 0.8 | 4.3% | 4.6% | 18.2 | 12.1% | 1893.1 |
| BBR Holdings | 0.0% | -13.7% | -13.7% | 0.22 | 70.9 | 10.0 | 0.5 | 1.8% | 5.3% | 31.6 | 2.6% | 142.0 |
| Tiong Seng Holdings | -3.8% | 1.3% | 1.3% | 0.40 | 178.0 | 5.8 | 0.6 | 3.8% | 11.4% | 3.6 | 8.1% | 213.2 |
| Structural Steel | | | | | | | | | | | | |
| TTJ Holdings | -12.9% | -1.6% | -1.6% | 0.33 | 115.3 | 10.5 | 0.9 | 2.1% | 6.3% | 4.4 | 16.8% | 60.8 |
| Yong Nam Holdings | -1.7% | -6.3% | -6.3% | 0.31 | 162.0 | N.A | 0.6 | 0.0% | -5.3% | 25.3 | 3.1% | 243.2 |
| | -1.4% | -2.3% | -2.3% | 0.57 | 1,731 | 11.2 | 0.7 | 2.9% | 3.9% | 10.1 | 10.1% | 885.7 |
| SHS Holdings | 2.3% | 0.0% | 0.0% | 0.22 | 147.3 | N.A | 0.7 | 1.2% | -8.7% | -7.5 | -42.9% | 121.1 |

*Source: Bloomberg, PSR*

## Financials

**Income Statement**

| Y/E Dec, SGD '000 | FY15 | FY16 | FY17 | FY18e | FY19e |
|---|---|---|---|---|---|
| **Revenue** | **62,727** | **56,135** | **37,725** | **61,824** | **111,701** |
| Gross Profit | 15,198 | 15,574 | 4,232 | 10,395 | 37,985 |
| **EBITDA** | **14,478** | **9,889** | **(14,588)** | **9,399** | **34,329** |
| Depreciation & Amortisation | 5,191 | 3,030 | 3,577 | 7,914 | 8,397 |
| **EBIT** | **9,287** | **6,859** | **(18,165)** | **1,484** | **25,932** |
| Net Finance Inc/(Exp) | (100) | (135) | (246) | (406) | (444) |
| **Profit before tax** | **9,101** | **4,064** | **(20,213)** | **1,484** | **25,932** |
| Taxation | (127) | 277 | 12 | (252) | (4,408) |
| **Net profit before NCI** | **57,677** | **11,637** | **(20,052)** | **1,232** | **21,523** |
| Non-controlling interest | (74) | (153) | (1,825) | (111) | (1,937) |
| **Net profit, reported** | **57,751** | **11,790** | **(18,227)** | **1,343** | **19,586** |

**Per share data (SGD Cents)**

| Y/E Dec | FY15 | FY16 | FY17 | FY18e | FY19e |
|---|---|---|---|---|---|
| EPS, reported | 9.5 | 1.8 | (2.7) | 0.2 | 2.9 |
| DPS* | 4.0 | 0.3 | 0.2 | 0.1 | 1.0 |
| BVPS | 40.6 | 40.4 | 37.7 | 37.8 | 40.2 |

*FY15 DPS includes a special dividend of 3.68 cents

**Cash Flow**

| Y/E Dec, SGD '000 | FY15 | FY16 | FY17 | FY18e | FY19e |
|---|---|---|---|---|---|
| <u>CFO</u> | | | | | |
| **Profit after tax** | **57,677** | **11,637** | **(20,052)** | **1,232** | **21,523** |
| Adjustments | (33,527) | (5,501) | 13,590 | 8,167 | 12,805 |
| WC changes | 2,916 | (8,488) | (3,442) | (5,395) | (17,027) |
| Cash generated from ops | 27,066 | (2,352) | (9,904) | 4,004 | 17,302 |
| Tax paid | (2,936) | (240) | 26 | (252) | (4,408) |
| Others | (28,186) | 3,114 | 10,718 | (4,004) | (17,302) |
| **Cashflow from ops** | **23,010** | **(1,830)** | **(9,064)** | **3,751** | **12,893** |
| <u>CFI</u> | | | | | |
| CAPEX, net | (3,457) | (19,546) | (25,072) | (13,000) | (10,000) |
| Others | 56,686 | (5,205) | 686 | - | - |
| **Cashflow from investments** | **53,229** | **(24,751)** | **(24,386)** | **(13,000)** | **(10,000)** |
| <u>CFF</u> | | | | | |
| Share issuance, net | 105 | 16,906 | 1 | - | - |
| Loans, net of repayments | (1,227) | 3,708 | 12,820 | - | - |
| Dividends | (5,659) | (27,741) | (1,713) | (524) | (6,855) |
| Interest paid | (2,429) | (915) | (5,314) | (406) | (444) |
| Others | 23 | 2,735 | 6,030 | (207) | - |
| **Cashflow from financing** | **(9,187)** | **(5,307)** | **11,824** | **(1,136)** | **(7,299)** |
| Net change in cash | 67,052 | (31,888) | (21,626) | (10,385) | (4,406) |
| Effects of exchange rates | (117) | 125 | (59) | - | - |
| **CCE, end** | **102,555** | **70,792** | **49,107** | **38,722** | **34,316** |

**Balance Sheet**

| Y/E Dec, SGD '000 | FY15 | FY16 | FY17 | FY18e | FY19e |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| PPE | 27,138 | 42,793 | 75,408 | 80,494 | 82,097 |
| Others | 87,916 | 103,959 | 93,875 | 93,875 | 93,875 |
| **Total non-current assets** | **93,522** | **111,303** | **145,345** | **150,431** | **152,034** |
| Accounts receivables | 23,518 | 21,147 | 14,716 | 45,404 | 60,880 |
| Cash | 103,755 | 70,792 | 49,107 | 38,722 | 34,316 |
| Inventories | 4,083 | 9,941 | 20,483 | 10,515 | 13,720 |
| **Total current assets** | **152,888** | **137,329** | **108,244** | **118,579** | **132,854** |
| **Total Assets** | **246,410** | **248,632** | **253,589** | **269,009** | **284,888** |
| **LIABILITIES** | | | | | |
| Accounts payables | 14,041 | 12,311 | 11,928 | 27,253 | 28,907 |
| Short term loans | 150 | 18 | 13,050 | 13,050 | 13,050 |
| Tax payable | 858 | 528 | 811 | 811 | 811 |
| **Total current liabilities** | **23,871** | **22,671** | **39,829** | **54,669** | **55,879** |
| Long term loans | - | 3,840 | 3,776 | 3,776 | 3,776 |
| Deferred tax liabilites | 2,202 | 2,015 | 3,598 | 3,598 | 3,598 |
| **Total non-current liabilities** | **2,588** | **6,133** | **7,502** | **7,374** | **7,374** |
| **Total Liabilities** | **26,459** | **28,804** | **47,331** | **62,043** | **63,253** |
| **EQUITY** | | | | | |
| Non-controlling interests | 849 | 2,051 | 2,938 | 3,049 | 4,986 |
| **Shareholder Equity** | **219,102** | **217,777** | **203,320** | **203,917** | **216,648** |

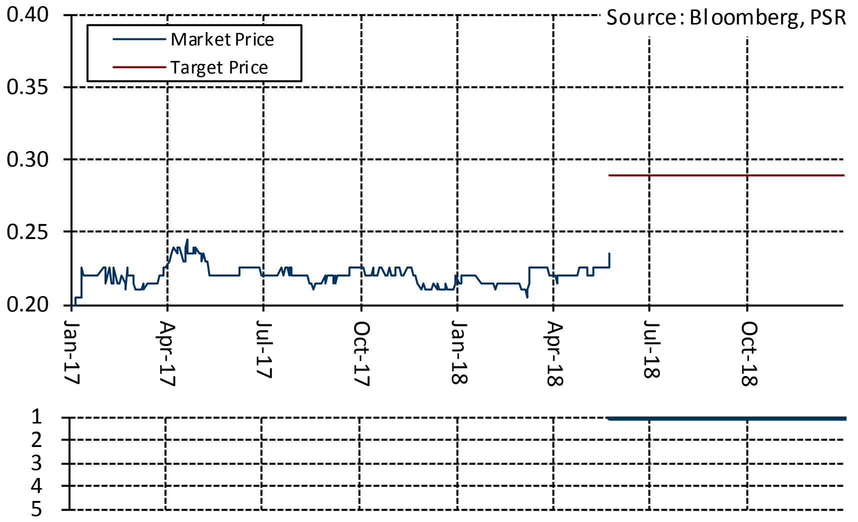
**Valuation Ratios**

| Y/E Dec | FY15 | FY16 | FY17 | FY18e | FY19e |
|---|---|---|---|---|---|
| P/E (X) | 2.5 | 13.2 | (8.8) | 119.9 | 8.2 |
| P/B (X) | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| EV/EBITDA (X) | 2.7 | 9.2 | (9.0) | 15.1 | 4.3 |
| Dividend Yield | 17.0% | 1.1% | 0.9% | 0.3% | 4.3% |
| **Growth & Margins** | | | | | |
| <u>Growth</u> | | | | | |
| Revenue | - | -10.5% | -32.8% | 63.9% | 80.7% |
| EBITDA | - | -31.7% | -247.5% | -164.4% | 265.3% |
| EBIT | - | -26.1% | -364.8% | -108.2% | 1647.1% |
| Net profit, adj. | - | -79.6% | -254.6% | -107.4% | 1358.6% |
| <u>Margins</u> | | | | | |
| Gross margin | 24.2% | 27.7% | 11.2% | 16.8% | 34.0% |
| EBITDA margin | 23.1% | 17.6% | -38.7% | 15.2% | 30.7% |
| EBIT margin | 14.8% | 12.2% | -48.2% | 2.4% | 23.2% |
| Net profit margin | 92.1% | 21.0% | -48.3% | 2.2% | 17.5% |
| **Key Ratios** | | | | | |
| ROE (%) | 26.4% | 5.4% | -9.0% | 0.7% | 9.0% |
| ROA (%) | 23.4% | 4.7% | -7.2% | 0.5% | 6.9% |
| | | | | | |
| Net Debt / (Cash) | (103,605) | (66,934) | (32,281) | (21,896) | (17,490) |
| Net Gearing (X) | Net Cash | Net Cash | Net Cash | Net Cash | Net Cash |

*Source: Company, Phillip Securities Research (Singapore) Estimates*

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

## Ratings History




## 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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