

Venture Corporation Limited

Gaining profit share



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- Exceptional margins and consistency in capturing a larger profit share of the industry.
- Healthy operating cash-flows and cash holdings to support 4.6% dividend yield.
- Valuation is attractive against its peers due to its superior ROE, margins and balance sheet.
- Beneficiary of the on-going electronics supply chain disruption in China.
- Initiate coverage with a BUY rating and a target price of S\$17.68. Our valuation is based on a 14x PE multiple.

Company background

Venture Corporation Limited (VMS) was founded in 1984 as a global electronics manufacturing services (EMS) provider. VMS capabilities expanded from assembly and manufacturing into research, design and development, product and process engineering, design for manufacturability, supply chain management, as well as product refurbishment and technical support across a widely diversified range of high-mix, high-value and complex products. Headquartered in Singapore, the Group comprises more than 30 companies with global clusters in Southeast Asia, Northeast Asia, America and Europe and employs over 12,000 people worldwide.

Investment thesis

- VMS enjoys higher profit margins and is consistent in gaining profit pool.** VMS higher margins are due to their investment and customer collaboration in research, design and development. A focus on high mix, low volume in niche segments allows VMS to enjoy a 5-fold higher net profit margin of 11% compared to a peer average of 2%. We believe VMS foray into life sciences and genomics has been the main driver of growth in recent years. The customer growth outlook remains intact and should help propel VMS' earnings. VMS share of industry net earnings has risen from 4% to 39% over 5 years.
- Strong balance sheet with net cash position to support attractive dividends.** As of 2H19, VMS net cash position is at S\$760mn which is approximately 17% of its market cap. Although VMS does not have a formal dividend policy, it is highly committed to paying at least the same amount as the previous year. With a strong cash generation and robust balance sheet we can expect VMS to pay consistent dividends and possibly initiate share buybacks. We forecast VMS to pay S\$202mn in dividends in FY19e, this equates to a pay-out ratio of 55% and a yield of 4.6% at current share price. DPS has risen 40% over the past three years.
- Beneficiary of supply chain disruption.** The on-going Sino-US trade war has been disrupting the supply chain in China. From our discussion with manufacturers and analysis of various announcements, there is an ongoing shift of the electronics supply chain from China into SEA. VMS has approximately 86% of its production in this region, much higher than its US peers. We were also able to observe that the investment approvals in Malaysia for electrical and electronic products has a massive spike recently. VMS is poised to benefit from this extensive relocation due to its existing presence in SEA.
- Valuation is attractive.** VMS is currently trading at 13x PE. We consider it attractive because, over the last 10 years, VMS typically trades at a PE range of 16x. VMS also boast a superior return on equity, profit margin and debt to equity ratio relative to its US listed peers.

Initiate coverage on VMS with a BUY rating TP of S\$17.68

Our valuation is based on a 14x PE multiple. Our valuation is conservative given VMS's superior return on equity, profit margin and balance sheet. We expect VMS dividend yield to be stable at 4.6%.

BUY (Initiation)

CLOSING PRICE	SGD 15.27
FORECAST DIV	SGD 0.70
TARGET PRICE	SGD 17.68
TOTAL RETURN	20.4%

COMPANY DATA

BLOOMBERG CODE:	VMS SP
O/S SHARES (MN) :	288
MARKET CAP (USD mn / SGD mn) :	3186 / 4404
52 - WK HI/LO (SGD) :	19.56 / 13.2
3M Average Daily T/O (mn) :	1.12

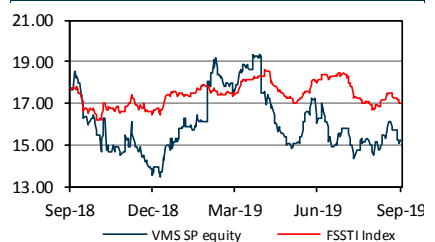
MAJOR SHAREHOLDERS (%)

Wong Ngit Liong	7.0%
Schroders PLC	7.0%
BlackRock Inc	5.1%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1Y R
COMPANY	5.2	(3.5)	(10.4)
STIRETURN	2.0	(4.0)	0.2

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Mar, SGD mn	FY 17	FY 18	FY 19e	FY 20e
Revenue	4,005	3,485	3,461	3,583
EBITDA	476	465	456	473
Net Profit	373	370	364	377
Dividend Yield	3.9%	4.6%	4.6%	4.6%
ROE (%)	17.2%	15.7%	14.5%	14.0%
ROA (%)	11.9%	11.5%	10.8%	10.6%

Source: Company, PSR

VALUATION METHOD

14x PE Multiple

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Revenue

VMS generates revenue by providing technology services, products and solutions. We can essentially split VMS’ revenue streams into two main segments.

- Portfolio 1:** Comprises of Life Science, Genomics, Molecular Diagnostics and Related Materials Technology, Medical Devices and Equipment, Healthcare & Wellness Technology, Lifestyle Consumer Technology, Health Improvement Products and Others.
- Portfolio 2:** Comprises of Instrument, Test & Measurement Technology, Networking & Communications, Security & Safety, Building Automation, Industrial IOT, Fintech, Advanced Payment Systems, Computing & Productivity Systems, Advanced Industrial Technology, Printing & Imaging, Related Components Technology and Others.

Figure 2: Group revenue by technology domain

Revenue (S\$'000)	FY18	Split	FY17	Split
Portfolio 1	1,499,492	43%	2,033,106	51%
Portfolio 2	1,985,111	57%	1,971,433	49%
Total	3,484,603		4,004,539	

Source: Company, PSR

Design revenue accounts for more than 50% of total revenue. This is a rare feat in the contract manufacturing space. We believe VMS’ ability to maintain a profit margin of 10.6% is due to its extensive capability in R&D which results in value creation and customer stickiness. VMS generally prices its services by internal benchmarks. VMS is also selective with its customers as it aims for quality growth. Among its peers, VMS is ranked 6 out of 7 in terms of revenue while it ranks first in terms of net profit. We believe portfolio 1 will provide growth for VMS as it shifts away from its legacy businesses (portfolio 2).

Key Customers – Positive outlook

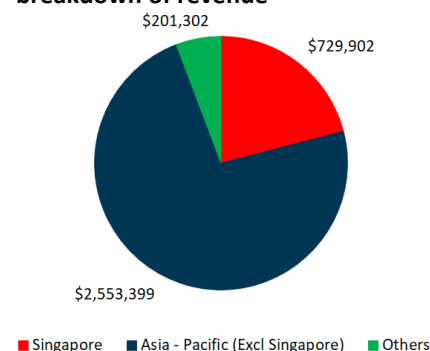
VMS serves more than 100 customers globally. Figure 3 shows the potential customers of VMS. We think Philip Moris, Illumina and Keysight are likely to be VMS’s key customers.

Figure 3: List of potential customers

Sector	Listed Customers	Bloomberg code	Mkt Cap (US\$mn)	Classification
Aerospace/Defense	Raytheon	RTN US	55,512	Defense Primes
Agriculture	Philip Morris	PM US	111,569	Cigarette
Biotechnology	Illumina	ILMN US	44,864	Analytical Lab Equipment
Computers	HP	HPQ US	27,786	Personal Computers
Computers	IBM	IBM US	126,654	IT Services - Commercial
Computers	Lumentum	LITE US	4,495	Other Miscellaneous Hardware
Electronics	Agilent	A US	24,160	Analytical Lab Equipment
Electronics	Fortive	FTV US	23,081	Measurement Instruments
Electronics	Honeywell	HON US	119,992	Comml & Res Bldg Equip & Sys
Electronics	Keysight	KEYS US	18,760	Elec Measuring Instruments
Electronics	Trimble Inc	TRMB US	9,727	Measurement Instruments
Electronics	Waters	WAT US	15,268	Analytical Lab Equipment
Healthcare-Products	Danahaer	DHR US	104,556	Life Science Equipment
Healthcare-Products	Medtronic	MDT US	148,939	Cardiovascular Devices
Healthcare-Products	Thermo Fischer	TMO US	118,240	Analytical Lab Equipment
Semiconductors	Broadcom	AVGO US	115,288	App Specific Communication
Semiconductors	Marvell	MRVL US	17,082	Semiconductor Devices
Software	Oracle	ORCL US	175,498	Cloud & Virtualization

Source: PSR

Figure 1: FY18 Geographical breakdown of revenue



Source: Company, PSR

Philip Morris

Philip Morris (PM) is an international tobacco company engaged in the manufacture and sale of cigarettes, smoke-free products and associated electronic devices and accessories.

VMS is one of the few manufacturers producing PM’s I-Quit-Original-Smoking (IQOS) product. IQOS is a smoke-free product which heats tobacco units up to a temperature of 350 degrees without combustion. PM claims IQOS produces less harmful chemicals as compared to normal cigarettes.

Korea and Japan: Despite slight weakness in PM’s sale of Reduced Risk Products (RRP) in Korea and Japan, we believe VMS’ on-going introduction of IQOS products in new markets should offset some of the softness in Korea and Japan.

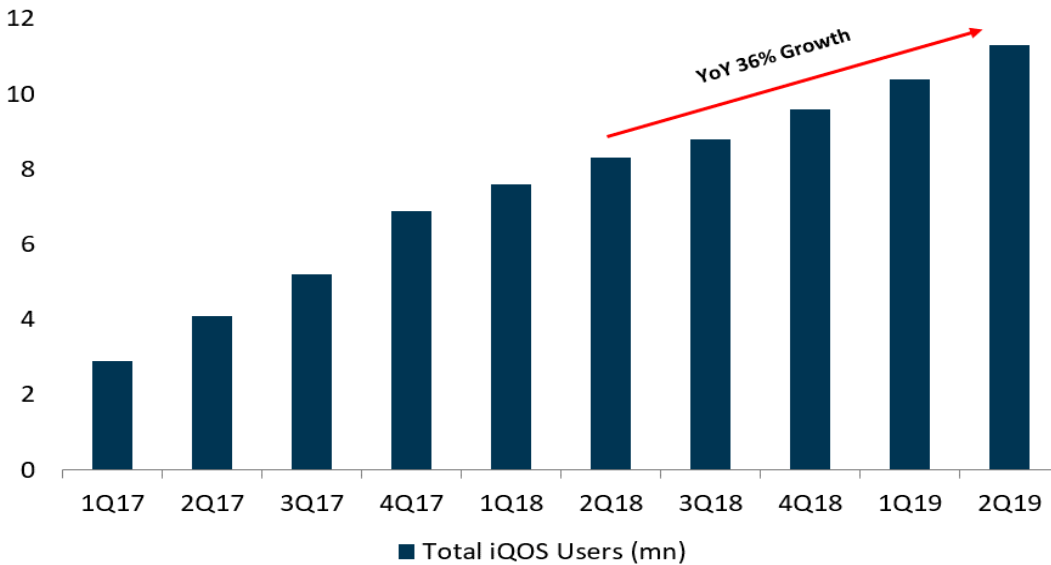
The United States: On 30 April 2019, the Food and Drug Administration (FDA) approved the sales of IQOS 2.4 in the United States. In recent news, lawmakers in the United States urged the FDA to immediately pull pod-based and cartridge-based e-cigarettes off the market due to an outbreak of lung disease. IQOS faces less regulatory scrutiny than e-cigarettes. This may have a net positive impact to PM’s IQOS heat not-burn-product as consumers have fewer alternatives available.

Figure 4: PM’s heated tobacco product (IQOS)



Source: Company

Figure 5: Total iQOS users rising rapidly

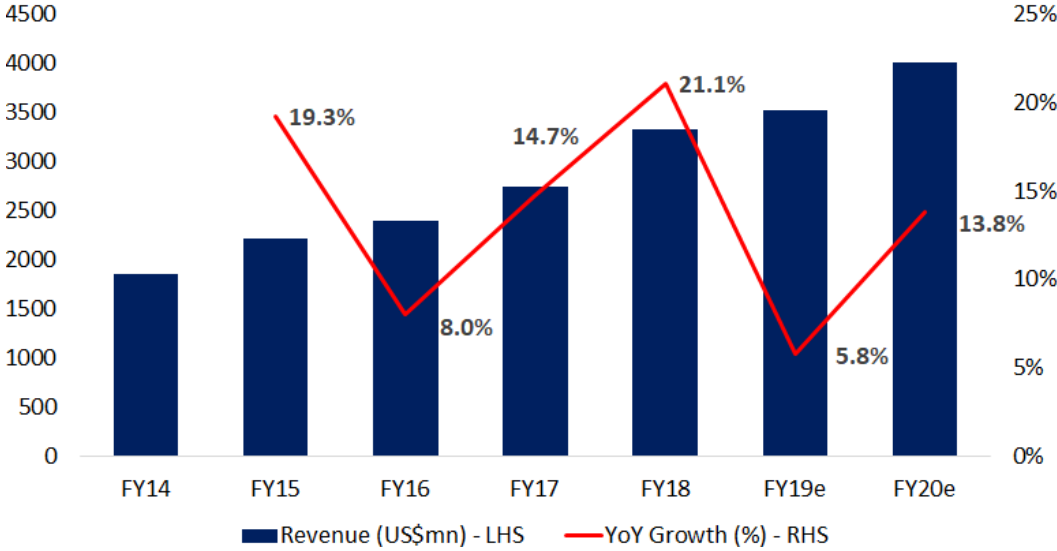


Source: Company, PSR

Illumina

Illumina provides sequencing and array-based solutions for genetic analysis. Its products are designed to accelerate and simplify genetic analysis. Illumina’s products include integrated sequencing and microarray systems, consumables, and analytical tools. Over the last 5 years, Illumina enjoyed revenue CAGR of 12.4%. The outlook for Illumina is positive as it continues to gain market share in genomic sequencing. Illumina is also enjoying healthy growth in its NovaSeq portfolio of products.

Figure 6: Illumina’s revenue trend

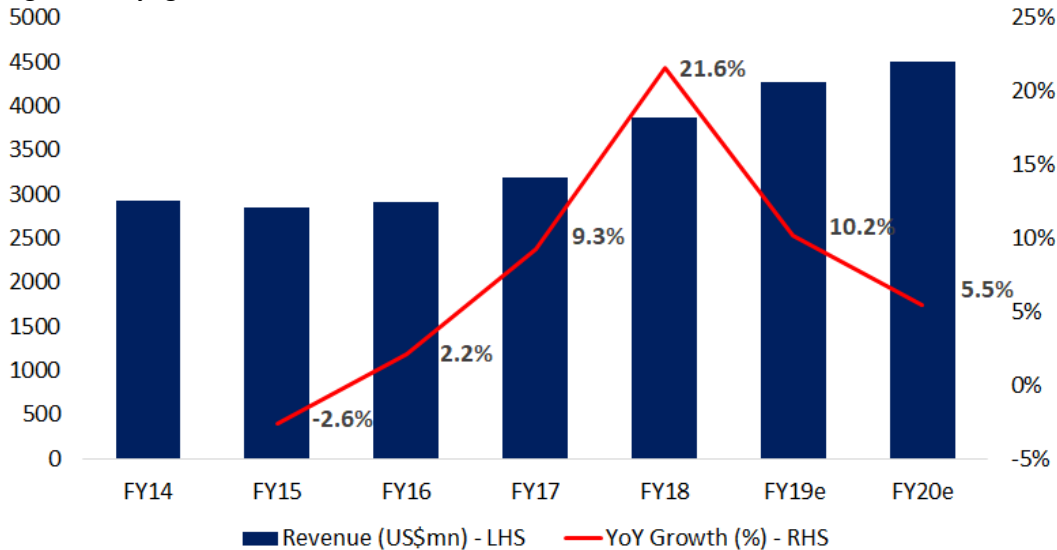


Source: Bloomberg, PSR

Keysight

Keysight offers electronic measurement services using wireless, modular and software solutions. In FY18, Keysight achieved revenue growth of 21.6% YoY. As of 3Q19 results, Keysight raised its outlook for FY19 with expected revenue growth of 9% to 10% citing strong enterprise demand and 5G.

Figure 7: Keysight’s revenue trend



Source: Bloomberg, PSR

Expenses

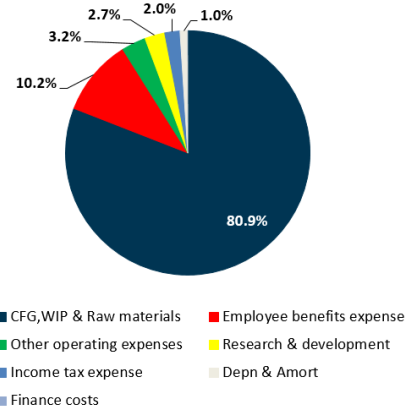
Majority of VMS' expense is made up of changes in finished goods, work in progress and raw materials used, making up 81% of FY18's total expenses (Figure 8).

Staff costs: VMS currently employs more than 12,000 workers globally, with staff costs accounting for 10% of FY18's total expenses. VMS margin expansion is in part the ability to keep employee expenses hovering at a steady rate of 10% of total annual expenses since FY15 despite expanding its operations.

Research and Development (R&D) costs: VMS is spending 1.72x more on R&D as compared to peers over the last 10 years (Figure 9). We believe this has allowed it to provide more value add to the customer, entrench the relationship and penetrate earlier into new projects. In FY18, VMS' R&D expenditure surged 66% to S\$83mn while peers were relatively muted at an average of S\$23mn. We believe VMS' consistent R&D efforts will lead to more value creation to support its impressive profit margin.

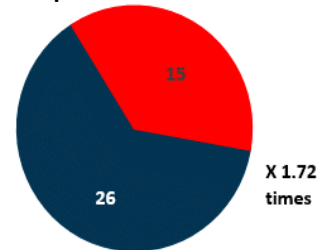
We expect R&D expenses to decline from its peak in FY18 (Figure 10). Although R&D expense is commonly used to gauge future turnovers of EMS companies, we think for VMS, it may not hold true. The fluctuations in VMS' R&D expense may be due to timing differences as it is purely customer-driven. R&D expenses are recognised after reaching certain milestones this is done in different phases. The recognition of milestones is decided by customers and could range from 25% of a new product launch (NPI) to 100% of an NPI. Upon completing an NPI, customers may add or modify its products thereby delaying milestones and hence delaying the recognition of VMS' R&D expenses.

Figure 8: FY18 expense breakdown



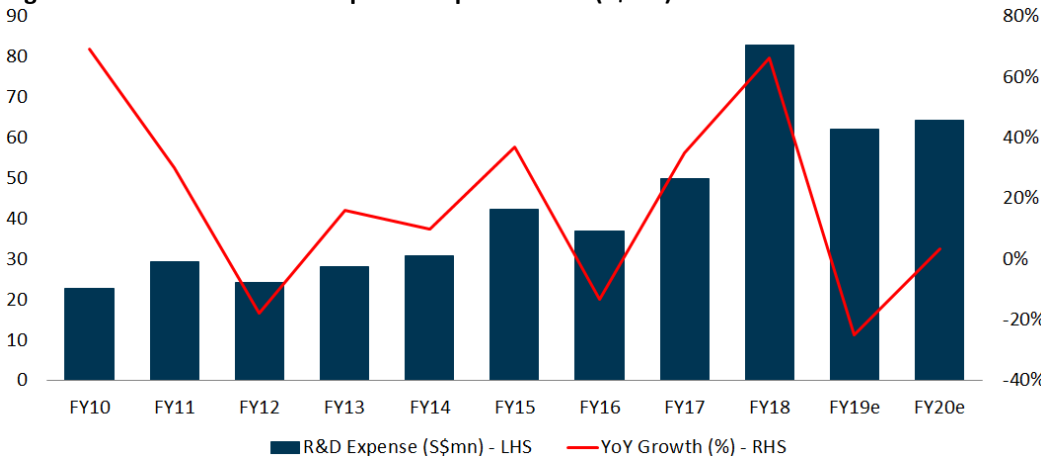
Source: Company, PSR

Figure 9: VMS spends 1.72x more on R&D VS peers



Source: Company, PSR

Figure 10: Research and development expense trend (S\$m)



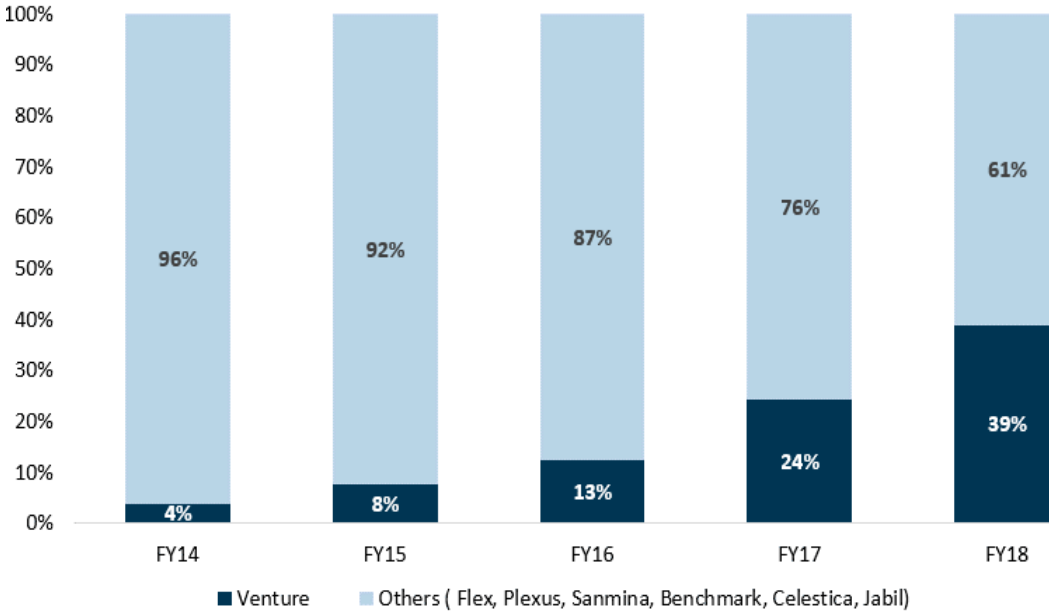
Source: Company, PSR

Tax expenses: VMS recently initiated a tax optimisation programme which centralised all of its taxes. As of 2Q19, the effective tax rate was brought down to 13.7% from 15% a year ago. We expect the steady-state of the effective tax rate to be in a range of 14% to 14.5% going forward. The initiative could potentially save VMS approximately S\$2mn in tax expenditure annually.

Gaining industry profit pool

We combined the GAAP earnings of US-listed EMS peers to visualise the gain in profit share VMS accumulated throughout the years. VMS' profit pool grew from 4% of the industry to 39% in less than five years (Figure 11). We believe VMS's ability to gain profit share is attributable to its (i) Extensive R&D capabilities; (ii) Adoption of lean cost structure; (iii) Selective customer acquisition; and (iv) Focus on low volume, high mix projects.

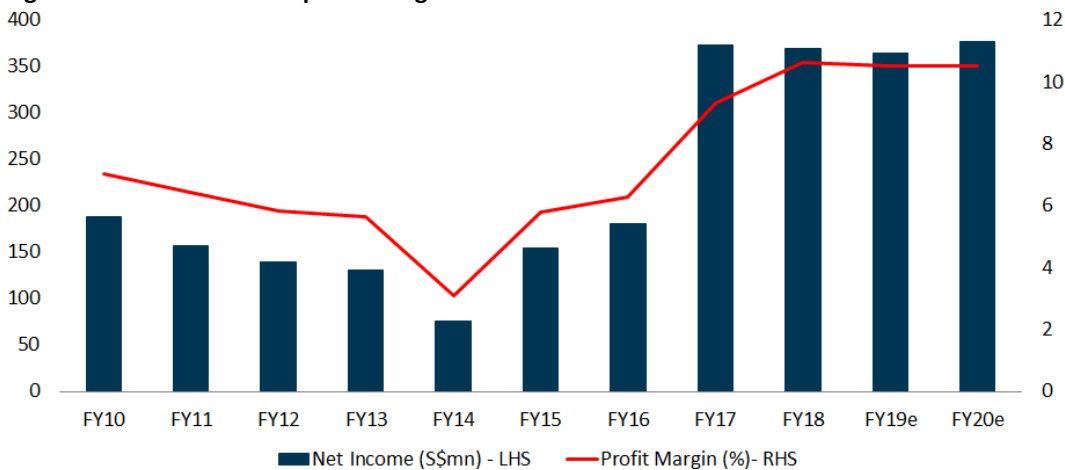
Figure 11: VMS is consistent in gaining profit pool amongst peers



Source: Bloomberg, PSR

Peer average net profit margins are approximately 2% (inclusive of foreign & local peers) while VMS enjoys 10% (Figure 12).

Figure 12: Net income and profit margin trend



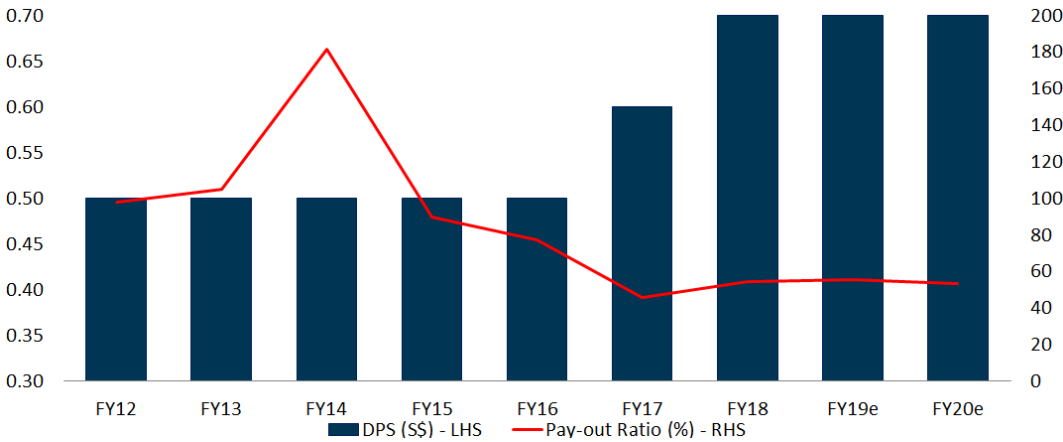
Source: Company, PSR

We forecast an EPS growth of -1.6%/3.4% YoY for FY19e/FY20e respectively. We expect net profit margin to remain stable at 10.5% for both years. NPI should offset any weakness from a slowdown in existing production.

Robust balance sheet – Dividend support

Dividend visibility for VMS is backed by its strong balance sheet. As of 2H19, VMS has a net cash position of S\$760mn which is approximately 17% of its market cap. Net cash to equity is at 32%. With a strong cash generation and a robust balance sheet we can expect consistency in dividend payments and potential share buybacks. We forecast VMS to pay S\$202mn in dividends in FY19e, this equates to a pay-out ratio of 55% and a yield of 4.6% at current share price.

Figure 13: VMS has expanded dividends 40% over the past 3 years



Source: Company, PSR

Outlook

VMS near term outlook is shrouded by escalating geopolitical tensions and the prolonged trade war. Its focus will be on selected domains that have growth and value creation opportunities. Strong initiatives are in place for building new differentiating capabilities to enhance the Group’s competitiveness. With its strong balance sheet, VMS is well placed to capture growth opportunities as and when they arise.

Strong South East Asia presence

VMS will be a long-term beneficiary from the supply chain disruption in China due to the ongoing trade dispute with the United States. VMS’ exposure in China only accounts for 5% of its total properties (Figure 16). Note that there is less than 2% of turnover directly impacted by the trade dispute.

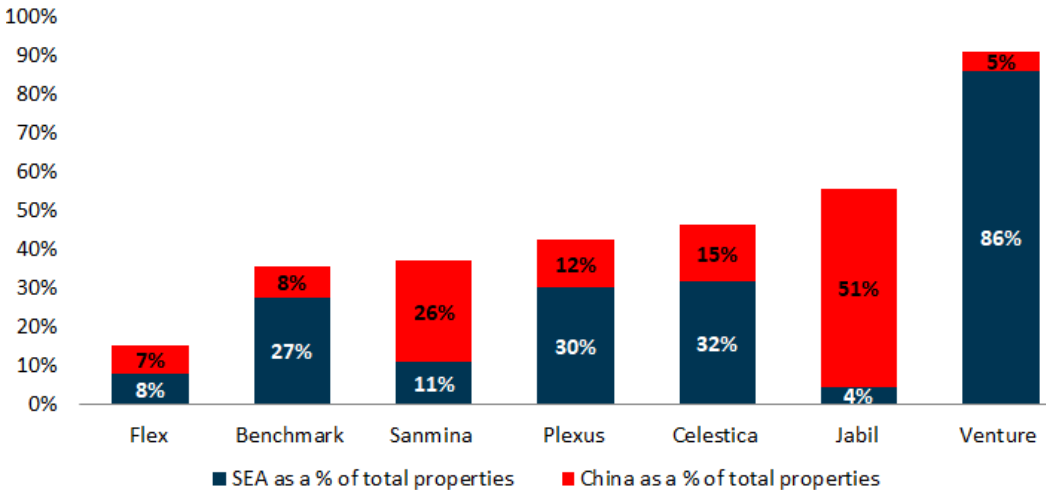
Among its peers, VMS has the largest (86%) proportion of its production facility in SEA (Figure 16), namely in Malaysia (Figure 19). From our discussion with manufacturers and analysis of various announcements, there is an ongoing shift of the electronics supply chain from China into SEA (Figure 15). In addition, we have observed a surge in electrical and electronic investment approvals in Malaysia (Figure 17). VMS is poised to benefit due to its existing production capacity in SEA.

Figure 15: Relocation of electronics manufacturing from China to Malaysia is underway

Date	News
Aug 19:	Salutica Bhd wireless mouse customer is moving from Suzhou to Malaysia Apple has asked its major suppliers to evaluate the cost of shifting 15% to 30% of their production capacity from China to SEA. The countries in SEA being considered for diversification include Vietnam, Indonesia and Malaysia
Jun 19:	Konica Minolta will shift more multifunction printer production to Malaysia to reduce dependence on China Sanmina will relocate Motorola production from Tianjin to Penang. Google will shift production of Nest manufacturing from China to Taiwan and Malaysia. Panasonic has relocated part of the production of its car stereos and other automobile equipment from China to factories in Thailand and Malaysia.
Apr 19:	iRobot Corp which makes all of its products in China, said it would start a new Roomba production line in Malaysia this year.
Mar 19:	VS Industry Bhd announced a three-year master supply agreement with Bissell (a leading home appliance company in the US) to manufacture its home care products on a box-build assembly basis.

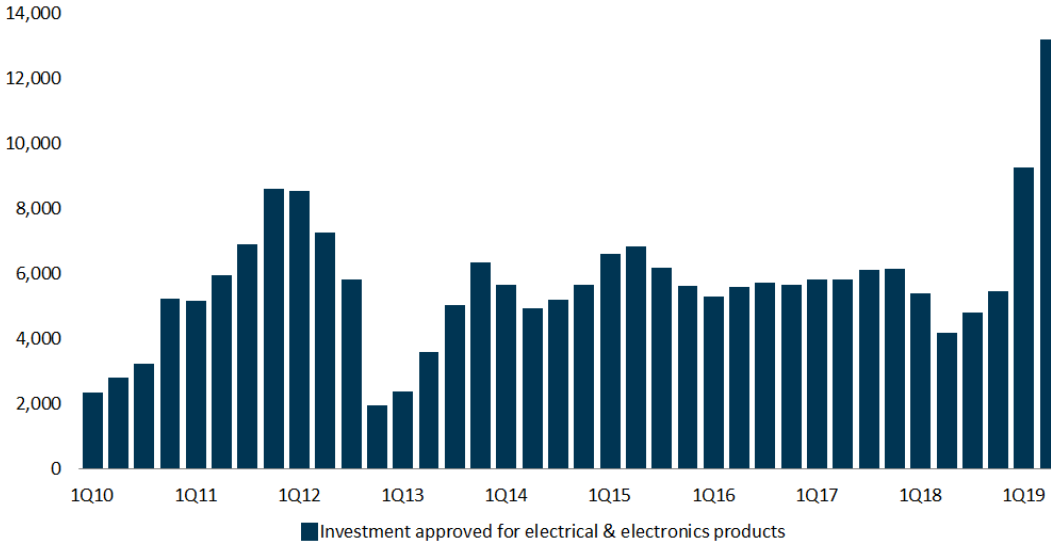
Source: Nikkei Asian Review, The Edge, NST, Bloomberg, WSJ

Figure 16: VMS has the largest facilities in SEA and is least exposed to China



Source: Company, PSR

Figure 17: Spike in investment approved in electrical & electronics products (MYR mn)



Source: CEIC, PSR

Risk factors

Increased competition. Competitors could ramp up their R&D efforts to mimic VMS’ success and possibly win over VMS’ clientele. This will erode the premium margins that VMS commands. This scenario is rather unlikely because the cost for VMS’ customers to switch may outweigh the benefits, switching entails a long design and development process.

Escalation in the trade war. Increased trade tension could weaken customer sentiment and hence, delay new product launches and tapering down of inventory. Escalation could also further weaken global economies therefore negatively affecting end-user demand.

Stringent regulation. Increased regulation on PM’s IQOS product is likely to hurt turnover.

Investment thesis

- 1. VMS enjoys higher profit margins and is consistent in gaining profit pool.** VMS higher margins are due to their investment and customer collaboration in research, design and development. A focus on high mix, low volume in niche segments allows VMS to enjoy a 5-fold higher net profit margin of 11% compared to a peer average of 2%. We believe VMS foray into life sciences and genomics has been the main driver of growth in recent years. The customer growth outlook remains intact and should help propel VMS' earnings. VMS share of industry net earnings has risen from 4% to 39% over 5 years.
- 2. Strong balance sheet with net cash position to support attractive dividends.** As of 2H19, VMS net cash position is at S\$760mn which is approximately 17% of its market cap. Although VMS does not have a formal dividend policy, it is highly committed to paying at least the same amount as the previous year. With a strong cash generation and robust balance sheet we can expect VMS to pay consistent dividends and possibly initiate share buybacks. We forecast VMS to pay S\$202mn in dividends in FY19e, this equates to a pay-out ratio of 55% and a yield of 4.6% at current share price. DPS has risen 40% over the past three years.
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- 4. Valuation is attractive.** VMS is currently trading at 13x PE. We consider it attractive because, over the last 10 years, VMS typically trades at a PE range of 16x. VMS also boast a superior return on equity, profit margin and debt to equity ratio relative to its US listed peers.

Valuation

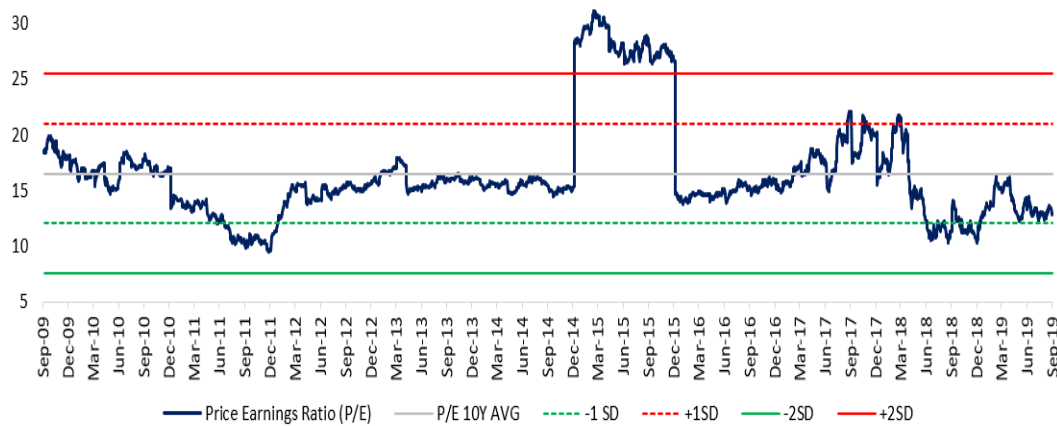
We initiate VMS with a target price of S\$17.68. Our valuation is based on a 14x PE multiple this is in line with peer valuations. Our valuation is conservative given VMS's superior return on equity, profit margin and balance sheet. VMS also boasts a dividend yield of 4.6% which we expect to be stable (Figure 13).

Figure 18: US-listed peer valuations

Company	1 Mth Perf.	3 Mth Perf.	YTD Perf.	Share PX (US\$)	Mkt Cap (US\$m)	1 YR FWD PE	P/BV	Dividend Yield (%)	ROE (%)	Profit Margin (%)	Debt to Equity (%)
Plexus Corp	13.5%	14.5%	24.3%	63.5	1,859	18.9	2.2	N.A.	16.6	0.5	20.5
Sanmina Corp	14.7%	11.8%	35.9%	32.7	2,276	9.7	1.4	N.A.	7.9	-1.3	41.3
Benchmark Electronics	13.4%	23.3%	41.4%	29.6	1,114	21.1	1.1	2.0	5.1	0.9	13.6
Celestica Inc	11.8%	10.2%	-16.5%	7.3	943	14.4	0.7	N.A.	11.5	1.5	56.9
Flex Ltd	8.3%	13.0%	38.2%	10.5	5,415	8.6	1.8	N.A.	0.7	0.4	102.8
Jabil Inc	32.9%	16.3%	44.2%	35.4	5,418	10.3	2.9	0.9	15.0	1.1	131.3
Simple Average	15.8%	14.8%	27.9%	29.8	2837.5	13.9	1.7	1.5	9.5	0.5	61.1
Venture Corp	2.3%	-6.9%	13.2%	11.1	3,190	12.1	1.8	4.0	16.1	10.6	0.1

Source: Bloomberg, PSR

Figure 19: VMS trading at -1SD



Source: Bloomberg, PSR

Figure 20: List of properties

No.	Location	Address	Area (Sqm)	Tenure	Usage
1	Geran 459975 Lot 44895 (formerly known as HS(D) 270912 PTD 68794) Mukim Tebrau Johor Bahru, Johor, Malaysia	2 (PLO 121), Jalan Firma 1/3 Kawasan Perindustrian Tebrau 1 81100 Johor Bahru Johor, Malaysia	15,443	Leasehold (Expiring 2054)	Office and Industrial
2	HS(D) 333450 PTD 97125, Mukim Tebrau Johor Bahru, Johor, Malaysia	1, Jalan Firma 1 Kawasan Perindustrian Tebrau 1 81100 Johor Bahru Johor, Malaysia	44,470	Leasehold (Expiring 2052)	Industrial
3	HS(D) 45801 PTD 8824, Mukim Senai Kulaijaya, Johor, Malaysia	PLO 49, Jalan Perindustrian 4 Kawasan Perindustrian 2 81400 Senai Johor, Malaysia	4,978	Leasehold (Expiring 2052)	Industrial
4	Lot 12368 Mukim 12, Daerah Barat Daya Penang, Malaysia	Plot 26, Hilir Sungai Kluang 3 Phase 4 11900 Bayan Lepas Penang, Malaysia	8,981	Leasehold (Expiring 2051)	Office and Industrial
5	HS(D) 445334 PTD 100821, Mukim Senai-Kulai Johor Bahru, Johor, Malaysia	PLO 34 & 35, Fasa 2 Kawasan Perindustrian Senai 81400 Senai Johor, Malaysia	24,581	Leasehold (Expiring 2049)	Office and Industrial
6	HS(D) 270914 PTD 68796, Mukim Tebrau Johor Bahru, Johor, Malaysia	4 & 4a (PLO 117), Jalan Firma 1 Kawasan Perindustrian Tebrau 1 81100 Johor Bahru Johor, Malaysia	16,187	Leasehold (Expiring 2025)	Office and Industrial
7	HS(D) 237904-237908 PTD 67770-67774, Mukim Tebrau Johor Bahru, Johor, Malaysia	2, 4, 6 & 8 Jalan Kempas 5/2 Tampoi 81200 Johor Bahru Johor, Malaysia	29,029	Freehold	Industrial
8	HS(D) 218290 PTD 64850, Mukim Tebrau Johor Bahru, Johor, Malaysia	5 (PLO 5), Jalan Firma 1 Kawasan Perindustrian Tebrau 1 81100 Johor Bahru Johor, Malaysia	18,763	Freehold	Industrial
9	HS(D) 468918 PTD 152116, Mukim Tebrau Johor Bahru, Johor, Malaysia	47 Jalan Riang 21 Taman Gembira 81200 Johor Bahru Johor, Malaysia	4,730	Freehold	Industrial
10	HS(D) 6220 LOT 4020 Mukim Tebrau Johor Bahru, Johor, Malaysia	49 Jalan Riang 21 Taman Gembira 81200 Johor Bahru Johor, Malaysia	3,476	Freehold	Industrial
11	HS(D) 6221 LOT 4021 Mukim Tebrau Johor Bahru, Johor, Malaysia	51 Jalan Riang 21 Taman Gembira 81200 Johor Bahru Johor, Malaysia	3,195	Freehold	Industrial
12	HS(D) 6222 LOT 4022 Mukim Tebrau Johor Bahru, Johor, Malaysia	53 Jalan Riang 21 Taman Gembira 81200 Johor Bahru Johor, Malaysia	3,111	Freehold	Industrial
13	HS(D) 6223 LOT 4023 Mukim Tebrau Johor Bahru, Johor, Malaysia	55 Jalan Riang 21 Taman Gembira 81200 Johor Bahru Johor, Malaysia	3,093	Freehold	Industrial
14	HS(D) 8712 PTD 3217, Bayan Lepas Penang, Malaysia	Plot 44, Bayan Lepas Industrial Park IV 11900 Bayan Lepas Penang, Malaysia	39,522	Leasehold (Expiring 2055)	Industrial
15	HSD 46117 PT 5272, Daerah Seberang Perai Selatan Penang, Malaysia	Plot 318, Batu Kawan Industrial Park Penang, Malaysia	123,706	Leasehold (Expiring 2074)	Industrial
16	MK 18, Lot No. 17946P Singapore	5006 Ang Mo Kio Avenue 5 TECHplace II, Singapore 569873	8,219	Leasehold (Expiring 2052)	Office and Industrial
17	MK 13, Lot No. 2361 Singapore	28 Marsiling Lane Singapore 739152	10,550	Leasehold (Expiring 2022)	Office and Industrial
18	Shanghai, People's Republic of China	668 Li Shi Zhen Road Zhangjiang Hi-Tech Park Pudong Shanghai 201203 People's Republic of China	20,000	Leasehold (Expiring 2050)	Office and Industrial
19	Shanghai, People's Republic of China	69 Huang Yang Road Tower 2, 6/F, Unit D, Xin He Gardens Jin Qiao, Pudong Shanghai 201206 People's Republic of China	156	Leasehold (Expiring 2063)	Residential
20	A.P.N.: 086-03-081	1621 Barber Lane (also known as 481 Cottonwood Drive) Milpitas, CA 95035 United States of America	39,012	Freehold	Office and Industrial

Source: Company, PSR

Financials

Income Statement

Y/E Dec, SGD '000	FY16	FY17	FY18	FY19e	FY20e
Revenue	2,874,219	4,004,539	3,484,603	3,460,967	3,583,371
Gross profit	704,800	979,030	955,307	921,700	955,111
EBITDA	261,869	475,815	464,676	456,011	473,239
Depreciation & Amortisation	-45,111	-31,056	-30,726	-32,194	-34,959
EBIT	216,758	444,759	433,950	423,816	438,280
Net Finance Inc/(Exp)	-895	-1,012	-982	-260	-322
Profit before tax	215,863	443,747	432,968	423,557	437,958
Taxation	-35,173	-71,048	-62,885	-59,298	-61,314
Net profit, reported	180,690	372,699	370,083	364,259	376,644

Per share data (SGD Cents)

Y/E Dec	FY16	FY17	FY18	FY19e	FY20e
EPS, reported	62.7	129.3	128.3	126.3	130.6
DPS	50.0	60.0	70.0	70.0	70.0
BVPS	6.8	7.5	8.1	8.7	9.3

Cash Flow

Y/E Dec, SGD '000	FY16	FY17	FY18	FY19e	FY20e
CFO					
Profit before tax	215,863	443,747	432,968	423,557	437,958
Adjustments	57,973	42,311	25,920	27,524	29,953
WC changes	-8,161	13,798	-147,351	19,041	-19,820
Cash generated from ops	265,675	499,856	311,537	470,122	448,091
Tax paid	-33,468	-50,316	-56,331	-59,298	-61,314
Others	-895	-1,012	-982	-260	-322
Cashflow from ops	231,312	448,528	254,224	410,564	386,455
CFI					
CAPEX, net	-33,506	-36,966	-58,480	-40,000	-40,000
Others	3,107	22,988	9,924	4,802	5,266
Cashflow from investments	-30,399	-13,978	-48,556	-35,198	-34,734
CFE					
Share issuance, net	18,171	46,211	40,555	0	0
Loans, net of repayments	-54,997	-139,695	-39,988	-8,500	-5,689
Dividends	-138,403	-140,728	-230,021	-201,857	-201,857
Others	12,562	107,895	-7,286	8,000	6,000
Cashflow from financing	-162,667	-126,317	-236,740	-202,357	-201,546
Net change in cash	38,246	308,233	-31,072	173,010	150,175
CCE, end	474,728	752,447	712,826	885,836	1,036,011

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

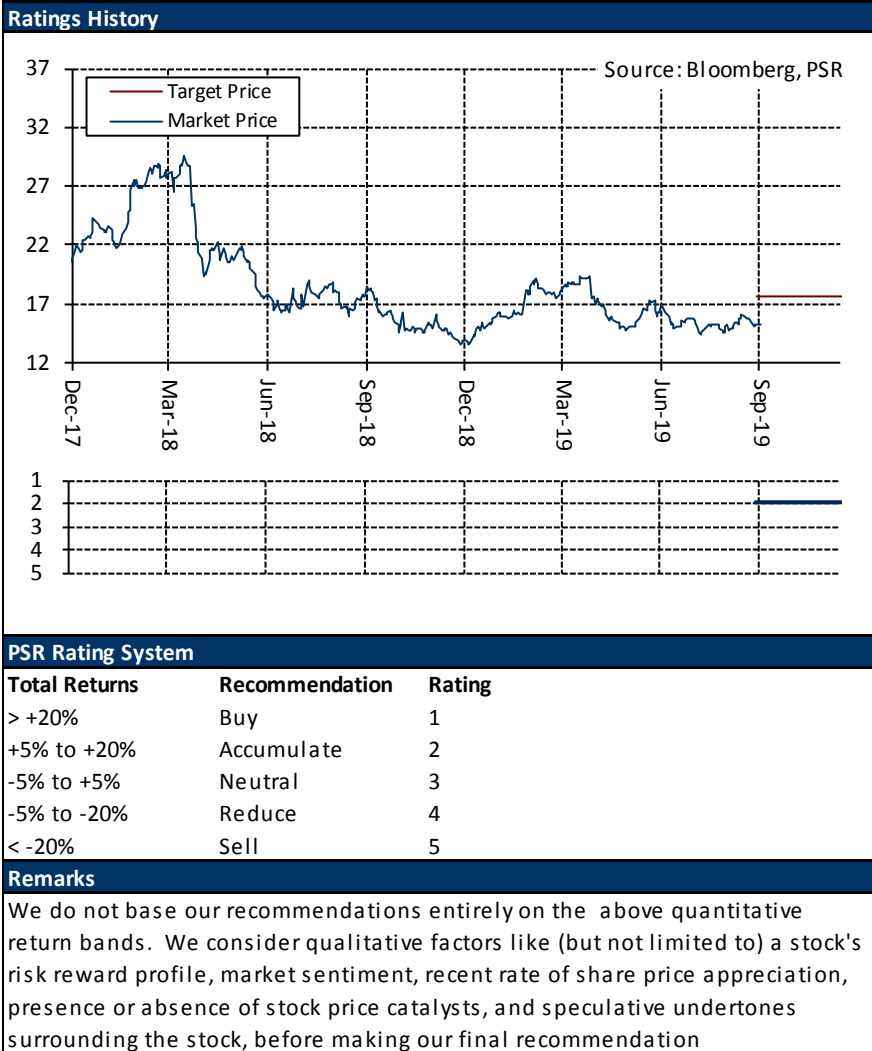
Y/E Dec, SGD '000	FY16	FY17	FY18	FY19e	FY20e
ASSETS					
PPE	203,152	197,860	230,686	238,456	243,427
Others	681,377	670,189	667,755	667,919	668,050
Total non-current assets	884,529	868,049	898,441	906,374	911,477
Receivables	751,264	794,986	765,940	787,949	814,755
Cash	499,736	752,447	712,826	885,836	1,036,011
Inventories	622,988	699,630	808,166	757,952	784,758
Others	5	29,093	19,224	19,224	19,224
Total current assets	1,873,993	2,276,156	2,306,156	2,450,961	2,654,749
Total Assets	2,758,522	3,144,205	3,204,597	3,357,335	3,566,226
LIABILITIES					
Accounts payables	683,312	841,679	734,239	725,075	758,867
Tax payable	18,234	34,043	40,374	40,374	40,374
Bank loan	92,641	30,828	1,798	1,298	1,609
Others	0	67,873	74,029	74,029	74,029
Total current liabilities	794,187	974,423	850,440	840,776	874,879
Deferred tax liabilities	1,801	1,718	2,058	2,058	2,058
Total non-current liabilities	1,801	1,718	2,058	2,058	2,058
Total Liabilities	795,988	976,141	852,498	842,834	876,937
EQUITY					
Non-controlling Interests	2,419	2,314	2,233	2,255	2,278
Shareholder's Equity	1,960,115	2,165,750	2,349,866	2,512,246	2,687,011

Valuation Ratios

Y/E Dec	FY16	FY17	FY18	FY19e	FY20e
P/E (X)	24.4	11.8	11.9	12.1	11.7
P/B (X)	2.2	2.0	1.9	1.8	1.6
EV/EBITDA (X)	15.3	7.7	7.9	7.7	7.1

Growth & Margins

Growth					
Revenue	8.2%	39.3%	-13.0%	-0.7%	3.5%
EBITDA	16.0%	81.7%	-2.3%	-1.9%	3.8%
EBIT	18.7%	105.2%	-2.4%	-2.3%	3.4%
Net profit, adj.	17.27%	106.3%	-0.7%	-1.6%	3.4%
Margins					
Gross margin	24.5%	24.4%	27.4%	26.6%	26.7%
EBITDA margin	9.1%	11.9%	13.3%	13.2%	13.2%
EBIT margin	7.5%	11.1%	12.5%	12.2%	12.2%
Net profit margin	6.3%	9.3%	10.6%	10.5%	10.5%
Key Ratios					
ROE (%)	9.2%	17.2%	15.7%	14.5%	14.0%
ROA (%)	6.6%	11.9%	11.5%	10.8%	10.6%
Dividend Yield (%)	3.3%	3.9%	4.6%	4.6%	4.6%
Dividend Payout Ratio (%)	79.8%	46.4%	54.5%	55.4%	53.6%



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