

800 Super Holdings Ltd

No trash-talk here: Undeservedly CHEAP

SINGAPORE | ENVIRONMENTAL SERVICES | RESULTS

- Inaugural quarterly results, after crossing the S\$75mn market capitalisation mark
- 9MFY16 revenue of S\$116.6mn met 73.1% of our full year estimate of S\$159.6mn
- 9MFY16 NPAT of S\$12.45mn met 90.9% of our full year estimate of S\$13.7mn
- 3QFY16 EPS of 4.20 cents dwarfs 1HFY16 2.76 cents EPS
- Undeservedly cheap now at 4.3x of our revised FY16e EPS

Results at a glance

(SGD mn)	3Q16	3Q15	y-y (%)	Comments
Revenue	40.35	37.27	↑8.3	New contracts awarded and contracts re-awarded at revised pricing
EBITDA	11.15	7.92	↑40.8	In line with c.S\$3mn yoy higher revenue
EBIT	9.10	6.06	↑50.3	In line with c.S\$3mn yoy higher revenue
NPAT	7.51	10.43	↓(28.0)	3Q15 includes S\$5.4mn one-time gain from sale of 2 Loyang Walk
NPAT, adj.	7.51	5.03	↑49.3	Adjusted for one-time gain from sale in 3Q15

Source: Company, Phillip Securities Research (Singapore)

- **Change from half-yearly reporting to quarterly reporting due to market capitalisation**
We previously forecasted on a half-yearly basis, so our next estimate was for 2HFY16. Hence, we do not have an estimate for 3QFY16. As such, we could only compare the 9M results against our full year FY16 estimates. The increased frequency in reporting should close the gap on information and price efficiencies.
- **Yoy EBIT-margin expansion in 3QFY16**
EBIT-margin in 3QFY16 expanded 6.3pps yoy to 22.6% (vs. 6.3% in 3QFY15). This was mainly due to higher yoy revenue in conjunction with 0.8% yoy lower Employee benefits expense. Employee benefits expense (i.e. Staff costs) makes up about slightly over half of total OpEx and is consequently the largest OpEx component.
- **Significant rationalisation of Staff costs between 1HFY16 and 3QFY16**
EBIT-margin in 1HFY16 was 8.4%, compared to 22.6% in 3QFY16. Employee benefits expense (i.e. Staff costs) was S\$39.8mn in 1HFY16 and 56.4% of total OpEx, compared to S\$16.4mn in 3QFY16 and 51.6% of total OpEx. Employee benefits expense in 3QFY16 is only c.41% that of 1HFY16. We understand from Management that lower Staff costs was due to productivity improvements and rationalisation of manpower.
- **Long-term investment projects on track**
The construction of the truck depot at Tuas South has been completed and Temporary Occupancy Permit (TOP) obtained. Construction contract for the waste to energy (WTE) plant (S\$31mn) and material recovery facility (MRF) (S\$19mn) have both been awarded and are expected to be completed in 1HFY18.
- **Adjustments made to our forecasts**
With greater clarity on the cost involved for the WTE plant and MRF, we have increased our FY17e CapEx assumption from c.S\$20mn to c.S\$35mn. We have adjusted our dividend payout ratio assumption downwards to 20% (from 29%) in FY16e and FY17e, in view of the cash requirements for the WTE plant and MRF. Adjusted Employee benefits expense accordingly in line with 3QFY16 margins observed. 9MFY16 NPAT now meets c.64% of our new full year FY16e estimate of S\$19.54mn, as we are expecting 4QFY16 NPAT of S\$7.09mn.

Undeservedly cheap at 4.3x (FY16e) and 4.6x (FY17e) forward P/E multiples

Re-iterate "Buy" with new higher target price of S\$0.82 (previous: S\$0.58). We are estimating FY16e to experience c.60% yoy NPAT growth. Even with the reduction in dividend payout to 20% in FY16e and FY17e, the stock still offers a dividend yield of 4.3%~4.6%.

13 May 2016

Buy (Maintained)

CLOSING PRICE	SGD 0.475
FORECAST DIV	SGD 0.022
TARGET PRICE	SGD 0.820
TOTAL RETURN	77.3%

COMPANY DATA

O/S SHARES (MN) :	178.8
MARKET CAP (USD mn / SGD mn) :	62 / 85
52 - WK HI/LO (SGD) :	0.51/ 0.4
3M Average Daily T/O (mn) :	0.11

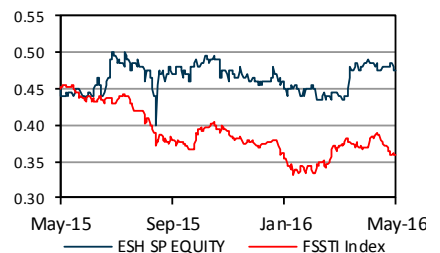
MAJOR SHAREHOLDERS (%)

YONG SEONG INVESTMENT PTE	66.8%
KOH YONG LEE	2.8%
HOCK SEONG LEE	2.8%
CHENG CHYE LEE	2.4%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1Y R
COMPANY	(3.1)	4.4	8.9
STI RETURN	(13)	9.3	(18.4)

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	19.5	18.4
EPS, adj. (Cents)	5.01	6.80	10.93	10.31
P/E, adj. (x)	5.2	7.1	4.3	4.6
BVPS (Cents)	23.2	32.0	41.0	49.1
P/B (x)	1.12	1.51	1.16	0.97
DPS (Cents)	1.00	2.00	2.20	2.05
Div. Yield (%)	3.8	4.1	4.6	4.3

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	0.41	0.42
EBITDA	10.2	15.6	27.1	32.2	33.0
Depreciation & Amortisation	(3.2)	(4.4)	(7.0)	(8.1)	(10.2)
EBIT	7.0	11.1	20.0	24.1	22.8
Net Finance (Expense)/Inc	(0.36)	(0.50)	(0.90)	(1.05)	(1.14)
Other items	0.05	(0.09)	(0.06)	(0.06)	-
Profit Before Tax	6.7	10.5	19.1	23.0	21.7
Taxation	(0.9)	(1.5)	(1.5)	(3.4)	(3.2)
Profit After Tax	5.8	9.1	17.6	19.5	18.4
- Non-controlling interest	0.04	0.11	0.02	-	-
Net Income, reported	5.7	9.0	17.6	19.5	18.4
Exceptional items	-	-	5.4	-	-
Net Income, adj.	5.7	9.0	12.2	19.5	18.4

Per share data (Cents)

Y/E Jun	FY13	FY14	FY15	FY16e	FY17e
EPS, reported	3.21	5.01	9.82	10.93	10.31
EPS, adj.	3.21	5.01	6.80	10.93	10.31
DPS	1.00	1.00	2.00	2.20	2.05
BVPS	19.25	23.24	32.03	40.96	49.07

Cash Flow

Y/E Jun, SGD mn	FY13	FY14	FY15	FY16e	FY17e
CFO					
Net income	5.8	9.1	17.6	19.5	18.4
Adjustments	4.4	6.5	4.1	12.6	14.6
WC changes	(1.6)	(10.0)	(3.4)	(3.4)	(0.7)
Cash generated from ops	8.6	5.6	18.3	28.8	32.3
Others	(1.6)	(1.2)	(1.9)	(3.8)	(4.6)
Cashflow from ops	7.0	4.4	16.3	25.0	27.7
CFI					
CAPEX, net	(18.0)	(3.7)	(6.0)	(20.0)	(35.4)
Others	-	-	0.0	-	-
Cashflow from investments	(18.0)	(3.7)	(5.9)	(20.0)	(35.4)
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)	(3.9)
Others	-	-	-	-	-
Cashflow from financing	7.4	(3.3)	(5.7)	0.2	(0.3)
Net change in cash	(3.5)	(2.6)	4.7	5.2	(8.1)
Effects of exchange rates	-	-	-	-	-
CCE, end	7.9	5.3	10.0	15.2	7.2

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	79.8	105.0
Intangibles	-	-	-	-	-
Investments	-	-	-	-	-
Others	0.0	1.6	1.6	1.6	1.6
Total non-current assets	35.9	53.5	69.6	81.4	106.6
Inventories	-	-	-	-	-
Trade receivables	21.2	31.1	40.0	45.5	46.9
Cash	7.9	5.3	10.0	15.2	7.2
Others	2.0	1.7	2.4	2.8	2.7
Total current assets	31.1	38.1	52.4	63.5	56.8
Total Assets	67.0	91.6	121.9	144.9	163.4
LIABILITIES					
Trade payables	10.6	12.1	18.1	20.5	21.2
Short term loans	2.3	6.8	8.3	9.6	8.2
Others	1.0	1.2	1.7	2.0	1.9
Total current liabilities	13.8	20.1	28.0	32.1	31.2
Long term loans	17.4	28.1	34.8	37.3	42.3
Others	1.4	1.9	1.9	2.3	2.1
Total non-current liabilities	18.8	30.0	36.7	39.6	44.4
Total Liabilities	32.6	50.0	64.7	71.7	75.7
EQUITY					
Non-controlling interests	0.09	0.05	-	-	-
Shareholder Equity	34.3	41.5	57.3	73.2	87.7

Valuation Ratios

Y/E Jun	FY13	FY14	FY15	FY16e	FY17e
P/E (X), adj.	6.9	5.2	7.1	4.3	4.6
P/B (X)	1.2	1.1	1.5	1.2	1.0
EV/EBITDA (X), adj.	5.1	4.9	4.4	3.6	3.9
Dividend Yield (%)	4.5%	3.8%	4.1%	4.6%	4.3%

Growth & Margins (%)

Growth					
Revenue	10.0%	17.9%	22.0%	13.8%	3.0%
EBITDA	1.6%	52.4%	74.0%	19.1%	2.4%
EBIT	-2.7%	58.4%	80.1%	20.1%	-5.2%
Net Income, adj.	-3.4%	56.3%	35.6%	60.7%	-5.6%

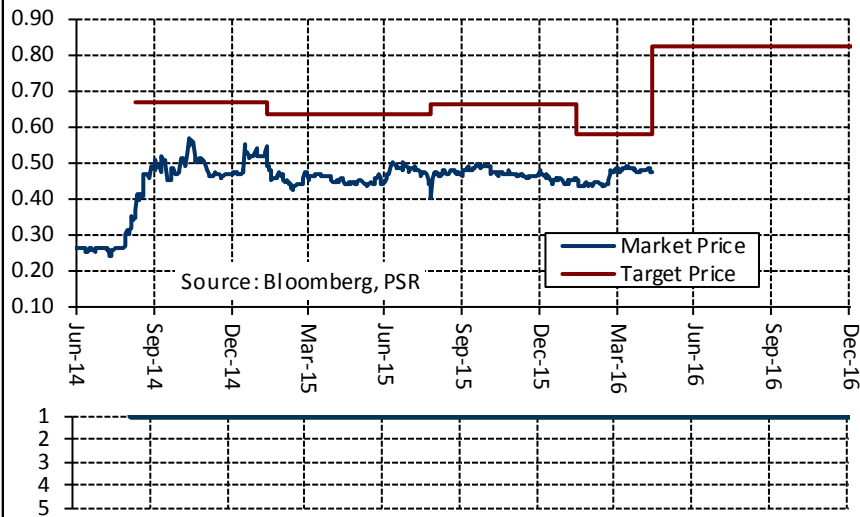
Margins

EBITDA margin	10.5%	13.5%	19.3%	20.2%	20.1%
EBIT margin	7.2%	9.7%	14.3%	15.1%	13.9%
Net Profit Margin	5.9%	7.8%	8.7%	12.2%	11.2%

Key Ratios

ROE (%)	17.7%	23.6%	24.6%	29.9%	22.9%
ROA (%)	9.7%	11.3%	11.4%	14.6%	12.0%
Net Debt or (Net Cash)	20.1	34.9	42.8	42.6	56.3
Net Gearing (X)	58.4%	83.9%	74.8%	58.2%	64.1%

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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