PAN-UNITED CORPORATION LTD.

Concrete leader & innovator

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SINGAPORE | SMALL CAP | INITIATION

- Largest provider of ready-mixed concrete in Singapore. A recovery in construction demand by as much as 31% in 2021e is expected to boost its revenue for the next two years.
- Barriers to entry include limited silo availability, costly batching plants, vertical integration, efficient delivery system and a major market share.
- Initiate coverage with BUY and target price of S$0.40, based on 7.8x FY21e EV/EBITDA, its 10-year average (excluding outliers in FY12 and FY17).

Company Background

Listed on the mainboard of the SGX in 1993, Pan-United is the largest provider of ready-mixed concrete (RMC) and cement in Singapore, with a growing footprint in Vietnam, Malaysia and Indonesia. PanU commands about 40% of Singapore's RMC production industry. It has two main business lines: concrete and cement at 95% of FY20 revenue; and trading and shipping, at 5%. Singapore generated 70% of its FY19 revenue.

Investment Merits

1. **2021 construction recovery expected.** Construction demand in 2020 cascaded 36% YoY to S$21.3bn as the industry was severely disrupted by COVID-19. Singapore's Building and Construction Authority (BCA) predicts that 2021 construction demand will recover to S$23-28bn. RMC volumes rebounded from almost 100% below their 10-year average at the start of 2020 to 14% below as at December 2020. The recovery was spearheaded by public residential and civil engineering projects. We are expecting PanU to benefit, as it is the market leader with a 40% share in the past 5-6 years.
2. **Vertical integration provides supply-chain resilience; barriers to entry include limited silos and costly batching plants.** PanU achieves vertical integration through cement silos via United Cement and Raffles Cement, a slag producer at Meridian Maplestar, as well as its aggregate quarry in PT Pacific Granitama. Raw materials are mostly imported from its strategic business partners in Japan. As silo facilities are limited in Singapore and batching plants grow increasingly costly, we believe there are multiple barriers to entry, apart from having dominant players in the market.
3. **Sustaining competitive edge through downstream innovations.** PanU owns or manages virtually all the components and processes across the RMC value chain, from innovation and the production of RMC to delivery to customers. It is able to deliver large volumes of RMC efficiently, of consistent quality and on time with the help of its business innovations, AiR and goTruck! AiR is a RMC management platform while goTruck is a truck hailing platform for the construction industry. We believe continued innovations and digitalisation will sustain its competitive edge over peers.
4. **Potential for AiR's commercialisation.** In December 2019, South Korea's largest RMC company, Eugene Corporation (023410 KS, Not Rated), signed an MOU with PanU to assess PanU's AiR platform for the potential digitalisation of its own end-to-end operations. The platform uses AI, data analytics, algorithms and sensor technologies to optimise vertical operations along the entire value chain. We are looking at a timeline of one year for Eugene to reach a decision on adoption. PanU is also in talks with other regional players for AiR's prospective commercialisation. In the longer term, we believe AiR has the potential to gain traction in the RMC industry, which is currently technologically disconnected.

We initiate coverage with a BUY rating. Our target price of S$0.40 is based on PanU's historical 10-year average of 7.8x FY21e EV/EBITDA, excluding outliers in FY12 and FY17. PanU is trading at -1SD of its 10-year mean of 8.26x. Our TP implies a total potential return of 38.6%, inclusive of dividend yields of 3.0%.

29 March 2021

BUY (Initiation)

LAST CLOSE PRICE	SGD 0.295
FORECAST DIV	SGD 0.009
TARGET PRICE	SGD 0.400
TOTAL RETURN	38.6%

COMPANY DATA

BLOOMBERG CODE:	PAN SP
O/S SHARES (MN) :	702
MARKET CAP (USD mn / SGD mn) :	154 / 207
52 - WK HI/LO (SGD) :	0.33 / 0.26
3M Average Daily T/O (mn) :	0.35

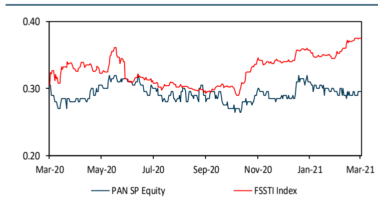
MAJOR SHAREHOLDERS (%)

NG BEE SOON	5.0%
NG HAN WHATT	1.0%
DIMENSIONAL FUND ADVISORS LP	0.7%

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	0.0	1.7	3.5
STI RETURN	8.6	10.8	10.2

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec (S$'000)	FY19	FY20	FY21e	FY22e
Gross Rev	771,718	412,368	556,394	614,502
Gross Profit	136,347	92,174	106,387	117,498
EBITDA	53,600	28,000	38,213	45,395
NPAT	20,929	1,514	11,246	18,258
P/B (x)	0.83	1.06	1.01	0.99
P/E (x)	8	193	18	11
ROE (%)	9.94	0.75	5.40	8.44

Source: Company, PSR

VALUATION METHOD

7.8x FY21e EV/EBITDA

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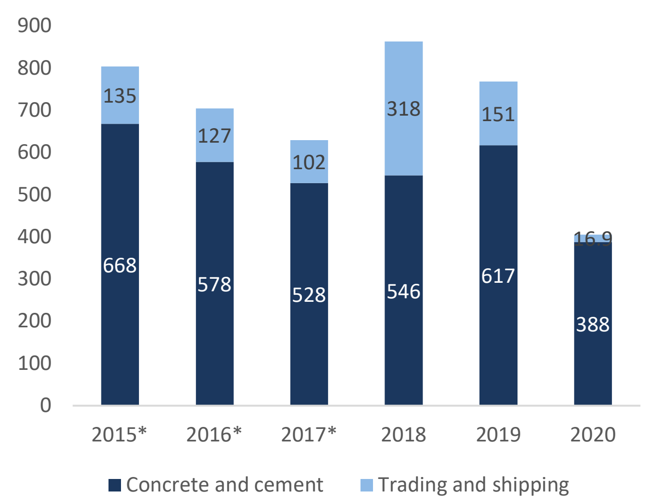
REVENUE

PanU has two main business lines: concrete and cement (C&C) and trading and shipping (T&S). Contributing the most to PanU's income is C&C. This division supplies cement, granite, RMC and refined petroleum products to the construction industries in Singapore, Vietnam, Malaysia and Indonesia. T&S involves coal trading, bulk shipping and agency operations.

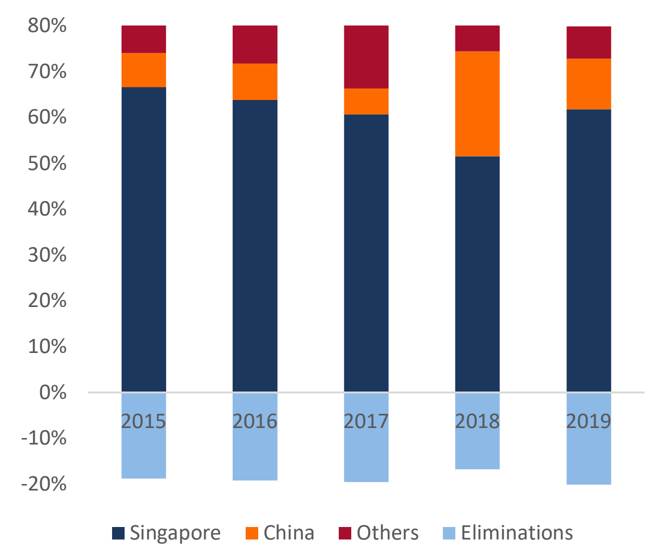
Figure 1: C&C is historically PanU's largest revenue contributor, at 95% in FY20 (S$mn)



* T&S used to include its port business which was demerged as a separate entity on 7 February 2018

Source: PSR, Company

Figure 2: PanU's income is mainly from Singapore, at 70% of FY19 revenue after eliminations (S$mn)

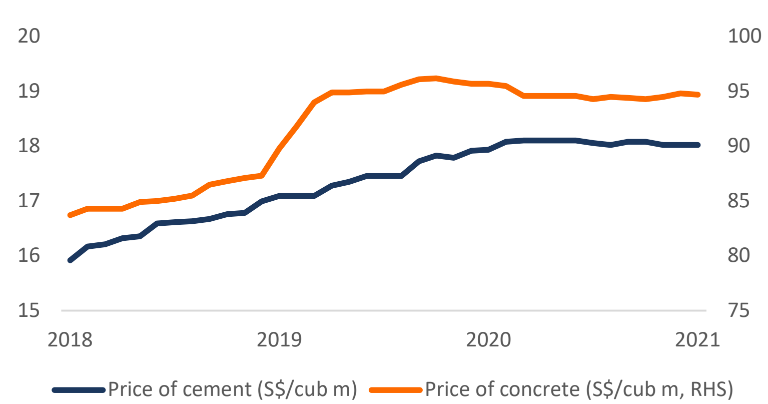


* Eliminations refer to intercompany sales

EXPENSES

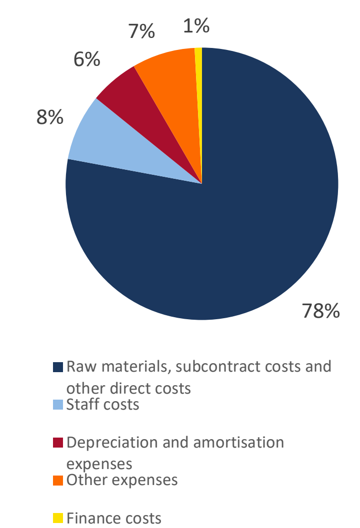
FY18-20 gross margins ranged from 13% to 21%, after raw materials, subcontracting and other direct costs. FY20 was an abnormal year due to COVID-19. The largest cost item, at 78% of PanU's FY20 revenue, is raw materials, subcontract costs and other direct costs. Raw materials include cement which PanU imports mainly from its strategic partners, Itochu and UBE in Japan. The manufacturers have a 51% interest in Raffles Cement, which is 49% owned by PanU (Appendix II). The rest of its materials are imported from Southeast Asia. Fine-aggregate sand is largely imported from PT Pacific Granitama, its 49% subsidiary in Indonesia. Cement typically comprises 40% of raw-material costs.

Figure 3: Price of cement vs price of concrete



Source: PSR, CEIC

Figure 4: 78% of FY20 opex came from raw materials, subcontracting and other direct costs



Source: PSR, Company

BALANCE SHEET

Assets. As of FY20, 43% of its total S$402mn assets were PPE. PanU's RMC business relies heavily on PPE, which includes right-of-use assets for leasehold land, buildings, plants and machinery and motor vehicles. Other assets comprise motor vehicles, office furniture and equipment. Cash and cash equivalents constituted 17% of assets and working capital, 35% in FY20.

Liabilities. FY20 liabilities were S$199mn. About 40% were payables and accruals totalling S$80mn. Trade payables are normally 30-90 days while other payables average six months. Short- and long-term borrowings made up 23% and 21% of liabilities respectively. Net debt excluding lease liabilities was S$20mn after deducting cash of S$68mn. The remaining 16% of liabilities was mainly operating leases and tax liabilities. FY20's net gearing stood at 0.18x.

In FY19, PanU adopted SFRS(I) 16 Leases. Under SFRS(I) 16, a lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. As such, PPE increased 5% mainly due to the recognition of ROU assets and lease liabilities. As at end-FY19, group net gearing - including lease liabilities - was 0.38x. Assuming SFRS(I) 16 Leases was not adopted, net gearing would have dropped to 0.27x from the 0.40x at end-FY18.

Figure 5: FY20 balance sheet

FY20 asset breakdown	% of assets
PPE	43%
Trade and other receivables	29%
CCE and short-term deposits	17%
Inventories	6%
Other assets	2%
Intangible assets	2%
Associates	1%
Others	1%
Total	100%

FY20 liabilities breakdown	% of liabilities
Payables and accruals	40%
ST borrowings	23%
LT borrowings	21%
LT lease liabilities	6%
Deferred tax liabilities	4%
ST lease liabilities	2%
Others	4%
Total	100%

Source: PSR, Company

CASH FLOW

Operating cash flow. Tug and barge business and its port business were part of PanU's operations until FY19. Operating cash flows in FY19 and FY20 averaged S$50mn per year. FY20 net operating cash flow after interest and taxes was S$60mn, held up by cash recognition from trade and other receivables.

Capital expenditure. Capex in FY19 and FY20 averaged S$7mn a year. We are expecting similar levels for FY21-22e, as PanU's business innovations are up and running and PanU is not embarking on any new capital-intensive projects. FCF averaged S$44mn in FY19 and FY20.

Dividend policy. PanU has a policy to distribute, subject to fund requirements, at least 30% of its annual attributable profits to shareholders. However, it has been distributing 45% to 533% in the past five years. (Fig. 5) We believe this was enabled by its strong cash generation, with positive FCF in most years.

Figure 6: PanU's 5-years historical dividend payouts

	FY16	FY17	FY18	FY19	FY20
EPS	2.5	0.83	0.87	2.93	0.15
DPS	3.75	1.30	0.80	1.60	0.80
Dividend payout ratio	150%	45%	81%	55%	533%

Source: PSR, Company

Figure 7: PanU's strong cash generation from operations

S$'000	FY16	FY17	FY18	FY19	FY20
Net OCF	53550	38138	1992	42620	59610
Capex	-46084	-31754	-12235	-5952	-7941
Cashflow	7466	6384	-10243	36668	51669

Source: PSR, Company

RMC & LOGISTICS OVERVIEW

Commonly used for construction, RMC is the most commercially attractive construction material on account of its compressive strength. It is the most widely used construction material in the world. It is a composite mixture comprising cement, sand, aggregates and water. Upon hydration, RMC forms a hardened mass. As a rule of thumb, RMC products should reach customers within two hours of batching. Apart from producing more than 300 concrete solutions, PanU optimises its processes and delivery of RMC products to customers through business innovations such as its Artificial Intelligence for Ready-Mixed Concrete (AiR) and goTruck!

Figure 8: Examples of PanU's concrete solutions and business innovations

Business Innovations	
Artificial Intelligence for RMC (AiR)	Platform to manage RMC business
goTruck!	Supply chain and logistics management platform

Source: PSR, Company

The first-of-its-kind in the industry, **Artificial Intelligence for Ready-Mixed Concrete (AiR)** is a scalable software-as-a-service that can be plugged into RMC companies' user operations to optimise operations in their supply chain: from replenishing raw materials, managing customer orders and deploying capacity at batching plants right up to quality-control checks and e-billing (Fig. 9). Benefits include streamlining day-to-day operations, improving productivity, reducing manpower wastage and substantial cost-savings.

Launched in 2019, **goTruck!** is a B2B truck hailing and fleet management platform for the construction industry. goTruck! connects construction companies and material suppliers with transporters in a seamless digital flow, by matching the supply and demand of heavy vehicles transporting bulk materials (Fig. 10). This end-to-end platform for the construction-material ecosystem – sand, stone, cement, slag etc. – is designed to close the transportation supply-demand visibility gap and minimise vehicle idleness.

Figure 9: First-of-its-kind in the industry, AiR can solve customers' pain points and add value to their back-end processes

Figure 10: Raw materials carried by goTruck!-activated trucks exceed a million tonnes a month

Source: Company

INVESTMENT MERITS

1. **2021 construction recovery expected.** Construction demand in 2020 was down 36% YoY to S$21.3bn as COVID-19 delayed large-scale infrastructure projects such as Changi Airport's Terminal 5. Recovery kicked in recently following Singapore's economic reopening in June 2020. RMC volumes rebounded from almost 100% below their 10-year average at the start of 2020 to 14% below as at December 2020. BCA expects construction demand to recover to S$23-28bn this year. The revival will be spearheaded by public residential and civil engineering projects such as new HDB flats and the Jurong Region and Cross Island MRT Lines. We are expecting PanU to profit from this, given its roughly 40% market share in the past 5-6 years. This is attributable to PanU's unrelenting innovations to improve its products, capabilities and efficiencies.

Figure 11: Lockdown and a shortage of workers caused construction contracts to collapse to a low of S$21bn in 2020. This was a major decline from the industry's pre-pandemic peak of S$36bn at end-2019

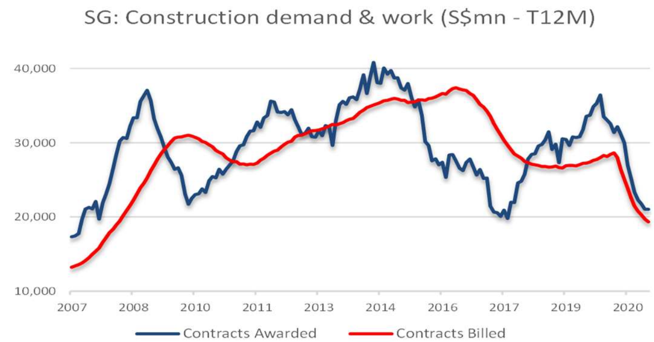
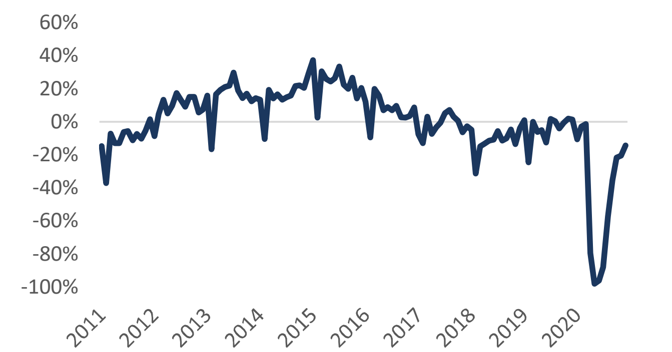


Figure 12: Sharp rebound in RMC demand in 2021. Current levels are still 14% below 10-year average.



Source: PSR, CEIC

2. **Vertical integration provides supply chain resilience; barriers to entry include limited silos and costly batching plants.** Raw materials for RMC comprise cement, aggregates and slag. PanU achieves vertical integration through cement silos via United Cement and Raffles Cement, its slag producer at Meridian Maplestar and its aggregate quarry at PT Pacific Granitama. Raw materials - mainly cement - are mostly imported from its strategic business partners, Itochu and UBE in Japan. These manufacturers have a 51% interest in Raffles Cement, which is 49% owned by PanU (Appendix II). The rest is imported from various countries across Southeast Asia. As silo facilities are limited in Singapore due to its land scarcity and batching plants grow increasingly costly due to the need for environmental compliance, we believe these present considerable barriers to entry to the RMC industry, apart from having dominant players in the market.

Figure 13: PanU has its own cement silos, a slag producer, an aggregate quarry and RMC batching plants

Source: Company

3. **Sustaining competitive edge through downstream innovations.** PanU owns or manages virtually all the components and processes across the RMC value chain, from innovation and the production of RMC to delivery to customers (Fig. 14). It manages the entire value chain – from orders to deliveries – from a single digital platform round-the-clock, seven days a week, through its Command Centre. An Innovation Centre has also been set up for R&D on RMC. This centre is believed to be the only independent private laboratory in Singapore to be Singlas-accredited and equipped to ISO standards. As of date, the Innovation Centre has produced over 300 highly-specialised concrete solutions, often in collaboration with PanU's customers.

Figure 14: PanU owns or manages virtually all the components and processes across the RMC production value chain

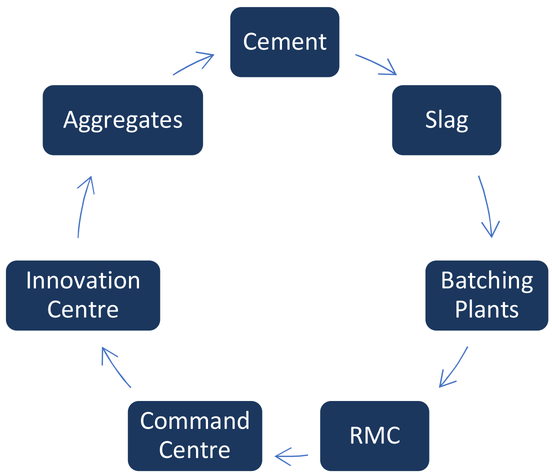
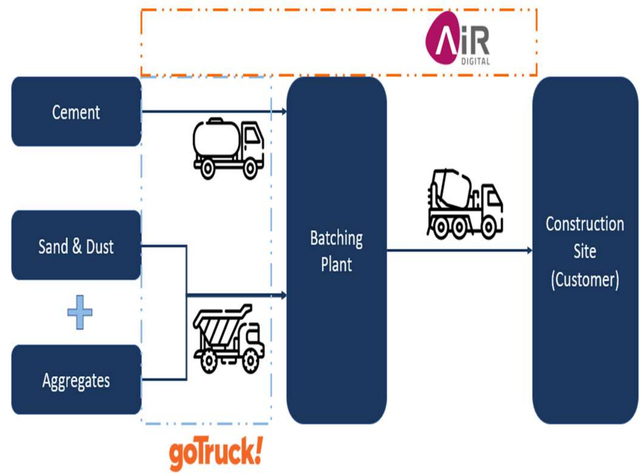


Figure 15: PanU's end-to-end RMC solutions



Source: Company

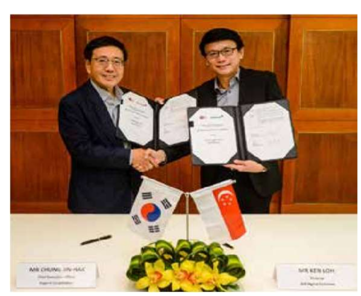
PanU's innovative AiR ensures quality control during the production of RMC, which has a 2-hour lifespan. AiR optimises PanU's supply chain, by managing the efficiency of its batching plants and ensuring a seamless relay of trucks to deliver the concrete. This resulted in cost savings, while elevating PanU's service standards given that customers can receive real-time information on truck movements.

In addition, although PanU does not own a single truck, it has the fleet to transport raw materials and RMC products to its batching plants and construction sites (Fig. 15). This is attributable to its goTruck! platform launched in 2019. goTruck matches the supply of heavy vehicles with demand and has gone beyond serving PanU's needs to serving almost 40% of the Singapore's tipper truck market for sand and aggregates. Raw materials carried by goTruck!-activated trucks exceed a million tonnes a month. This platform enables PanU to stay asset-light.

Backed by its innovations in different areas, we believe PanU is equipped to become a one-stop shop for all RMC logistical needs across the value chain. Its business innovations are key to delivering large volumes of RMC efficiently, on time and of consistent quality. We believe PanU's digitalised operations give it a critical competitive edge over peers.

4. **Potential for AiR's commercialisation.** In December 2019, South Korea's largest RMC company, Eugene Corporation, signed an MOU with PanU to assess the latter's AiR platform for the potential digitalisation of its own end-to-end operations. The platform uses AI, data analytics, algorithms and sensor technologies to optimise vertical operations along the entire value chain. PanU is also in talks with other regional players for AiR's prospective commercialisation. In the longer term, PanU is looking at developing AiR into the main user optimisation digital system for established RMC players outside the region. In our view, this first-of-its-kind, plug-and-play SaaS platform for the RMC industry has the potential to gain good traction, given that this industry is largely technologically disconnected.

Figure 16: Eugene Corporation is exploring the adoption of AiR



Source: Company

KEY RISKS

1. **Prefabricated prefinished volumetric construction (PPVC) to compete with RMC.** A possible substitute for RMC, PPVC is a construction method whereby concrete blocks are pre-moulded in an off-site fabrication facility before they are delivered and installed on-site. According to BCA, the cost premium of concrete PPVC over conventional reinforced concrete construction is estimated to be less than 8%. With an increasing number of suppliers, the cost premium is expected to shrink further. This premium can be further offset by the other benefits of PPVC, including earlier delivery, fewer transportation trips and a safer workplace. But as of date, this mode of construction cannot be applied to every civil-engineering project due to size constraints and transportation difficulties. A precast concrete plant is very costly as well, due to its sophisticated machinery. According to BCA, PPVC demand in FY21 is expected to total 0.9-1.1mn cubic metres, while RMC demand remains high at 9.5-11mn cubic metres.

2. **Others.** Renewed lockdowns may cripple the recovery in construction demand. Supply-chain disruptions may affect PanU's operations. Rising raw-material costs and/or a decline in RMC prices may compress PanU's gross margins.

Figure 17: PPVC module installation

Source: BCA

INDUSTRY OUTLOOK

BCA predicts that total construction demand in 2021 will recover to S$23-28bn. Public-sector projects are expected to contribute 65% to the demand, led by public housing and infrastructure projects. Upcoming public-sector projects for award this year include the Jurong Region MRT Line, Cross Island MRT Line Phase 1 and Deep Tunnel Sewerage System Phase 2. Private-sector construction demand is projected to be S$8-10bn in 2021. The bulk is expected to comprise the development of the remaining en-bloc residential sites, major retrofitting of commercial developments and construction of high-specification industrial buildings.

Figure 18: Recovery of construction demand and output expected from FY21

Year	Construction demand (value of contracts awarded, in S$bn)			Construction output (value of certified progress payments in S$bn)
	Public	Private	Total	Total
2020 p	13.2	8.1	21.3	19.5
2021 f	15-18	8-10	23-28	24-27
2022-2025 f	14-18 per year	11-14 per year	25-32 per year	

Source: BCA

Total nominal construction output this year is projected to increase to S$24-27bn, from an estimated S$19.5bn in 2020. This will be supported by better construction demand in 2021 and backlog projects from 2020.

In the medium term, BCA expects steady improvements in construction demand. Demand is projected to reach S$25-32bn a year from 2022 to 2025. The public sector is expected to take the lead and contribute S$14-18bn a year, both from building projects and civil-engineering work. Apart from public residential developments, there will also be large infrastructure and institutional projects. These include Phases 2 and 3 of the Cross Island MRT Line, the Downtown's line extension to Sungei Kadut and cycling path networks. Private-sector construction demand is also expected to improve steadily to S$11-14bn a year. This is on the back of a gradual recovery in the global economy, contingent on successful COVID-19 vaccination.

Further ahead, as part of the Urban Development Authority's 2019 master plan to develop Singapore over the next 10-15 years, there are several urban transformation projects that could potentially support construction demand. These include the development of the Greater Southern Waterfront to improve accessibility and urban living and the conversion of the Paya Lebar Airbase and its surrounding areas into a livable and sustainable new town. We believe PanU will benefit from the URA's longer-term plans to improve connectivity and rejuvenate living areas in Singapore.

Figure 19: New possibilities for Paya Lebar Airbase

Source: BCA

Major upcoming projects:

<u>2021</u>
1. Public residential developments
2. Jurong Region MRT Line
3. Cross Island MRT Line Phase 1
4. Deep Tunnel Sewerage System Phase 2

<u>2022 – 2025</u>
1. Public residential developments
2. Cross Island MRT Line (Phases 2 and 3)
3. Downtown line extension to Sungei Kadut
4. Cycling path networks
5. Relocation of Singapore Science Centre
6. Toa Payoh integrated development
7. Alexandra Hospital redevelopment
8. New integrated hospital at Bedok

VALUATION

We initiate coverage of PanU with a BUY rating and target price of S$0.40, Our TP is set at PanU's historical 10-year average of 7.8x FY21e EV/EBITDA, excluding outliers in FY12 and FY17. In FY12, PanU traded at an all-time low of 4.85x. In FY17, it traded at an all-time high of 15.6x. PanU is trading at -1SD of its 10-year mean of 8.26x. We expect FY21e EBITDA to increase to S$38.2mn, underpinned by a recovery in construction demand. Our S$0.40 target price implies a total potential return of 38.6%, inclusive of dividend yields of 3.0%.

Figure 21: 10-year historical average EV/EBITDA is 8.3x or 7.8x if outliers in FY12 and FY17 are excluded

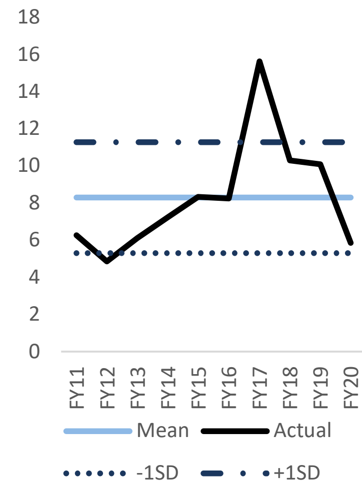


Figure 20: Hong Leong Asia (HLA SP, Not Rated) is PanU's closest peer in Singapore. Building materials contributed only 12% to its FY19 revenue.

Peer Comparison	Listed	Operations in	Cement Production	RMC Production	Precast technology	Construction
Pan-United	SGX	Singapore		√		
Island Concrete (subsidiary of Hong Leong Asia)	SGX	Singapore		√		
Lian Beng Group	SGX	Singapore		√	√	√
International Cement Group	SGX	Tajikistan, Kazakhstan	√			
YTL Corp	KLSE	Singapore	√	√		
Malayan Cement	KLSE	Malaysia	√	√		
Cahya Mata Sarawak Berhad	KLSE	Malaysia	√	√	√	
Chin Hin Group Bhd	KLSE	Malaysia	√	√	√	
Sarawak Consolidated Industries Berhad	KLSE	Malaysia		√	√	
Semen Indonesia Group	IDX	Indonesia	√	√	√	
PT Indocement Tunggal Prakarsa Tbk	IDX	Indonesia	√	√	√	
Southern Concrete Pile	BKK	Thailand		√	√	
Siam Cement	BKK	SEA	√	√	√	
Boral Limited	ASX	Australia		√		
Eugene Corporation	KOSDAQ	Korea		√		
Cemex S.A.B. De C.V.	NYSE	Global	√	√	√	
CRH plc	NYSE	Global	√	√	√	
LafargeHolcim Ltd	SWX	Global	√	√	√	
HeidelbergCement AG	ETR	Global	√	√	√	

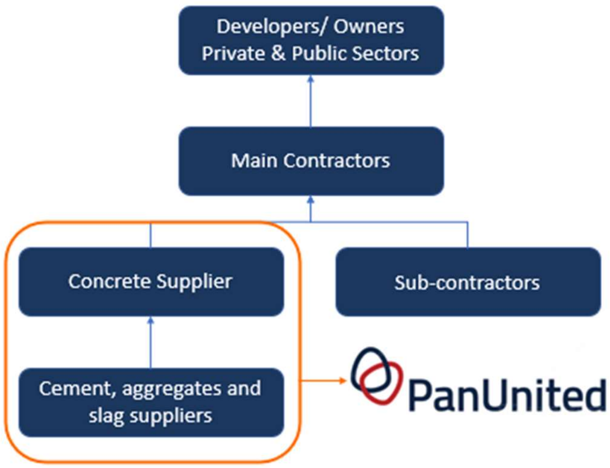
Source: PSR, Companies

Figure 22: Our 7.8x EV/EBITDA is below the building materials industry's current and 10-year averages of 16.0x and 13.2x respectively

Peer Comparison	Mkt Cap ($mn)	Price ($)	P/B (x)	P/E (x)	P/S (x)	Gearing (%)	ROA (x)	ROE (x)	Div Yield (%)	Current EV/EBITDA (x)	10-year EV/EBITDA (x)
SGX											
Hong Leong Asia	SGD 535	SGD 0.72	0.61	12.01	0.12	14.31	0.85	5.68	1.40	4.26	4.63
International Cement Group	SGD 356	SGD 0.06	1.73	22.14	2.70	4.44	4.76	7.87	0.00	4.18	4.10
Lian Beng	SGD 237	SGD 0.48	0.33	8.58	0.54	35.95	1.62	3.86	2.11	16.43	8.98
Pan-United	SGD 207	SGD 0.30	1.01	196.40	0.50	25.75	2.81	5.84	2.97	5.57	8.26
KLSE											
YTL Corp	SGD 7,730	SGD 0.71	0.61	39.32	0.45	64.64	-0.28	-1.59	3.30	12.17	10.77
Malayan Cement	MYR 2,141	MYR 2.52	0.94	n.a.	1.78	25.82	n.a.	n.a.	n.a.	43.80	12.59
Cahya Mata Sarawak Berhad	MYR 2,442	MYR 2.30	0.88	78.48	2.19	19.97	4.32	7.18	1.30	68.99	14.96
Chin Hin Group Bhd	MYR 984	MYR 1.77	2.16	47.58	1.00	38.87	1.82	4.68	1.13	32.03	11.87
Sarawak Consolidated Industr	MYR 932	MYR 1.90	1.73	6.86	0.83	7.47	16.36	51.24	1.70	13.19	18.01
IDX											
Semen Indonesia Group	IDR 65,691,584	IDR 11,075	1.92	23.54	1.87	30.71	3.54	8.40	0.36	9.56	11.09
PT Indocement Tunggal Praka	IDR 46,751,643	IDR 12,700	2.09	26.32	3.17	0.40	6.74	7.94	5.71	11.93	13.73
BKK											
Southern Concrete Pile	THB 1,790	THB 6.15	0.87	8.44	1.09	0.26	9.93	11.81	6.18	4.47	4.96
Siam Cement	THB 453,600	THB 378	1.41	13.28	1.13	34.88	4.93	11.36	3.31	10.66	12.11
Others											
Boral Limited	AUD 6,606	AUD 5.39	1.48	24.82	1.22	37.86	-12.47	-21.70	n.a.	8.17	46.74
Eugene Corporation	KRW 391,966	KRW 5,070	0.44	10.49	0.26	16.30	0.76	4.18	3.35	4.20	23.30
LafargeHolcim Ltd	CHF 32,854	CHF 53.34	1.25	19.35	1.41	25.84	3.04	6.21	3.75	4.50	11.63
CRH plc	GBP 26,511	GBP 3,379	1.90	32.87	1.34	30.82	2.28	5.47	2.14	11.04	11.17
HeidelbergCement AG	EUR 14,424.88	EUR 72.70	1.09	11.48	0.81	30.87	-6.39	-15.62	0.83	7.61	8.70
Cemex S.A.B. De C.V.	USD 10,414	USD 7.08	1.30	92.73	0.81	38.64	-5.17	-16.87	1.44	30.61	12.37
Average			1.25	37.48	1.22	25.46	2.19	4.78	2.41	15.97	13.16

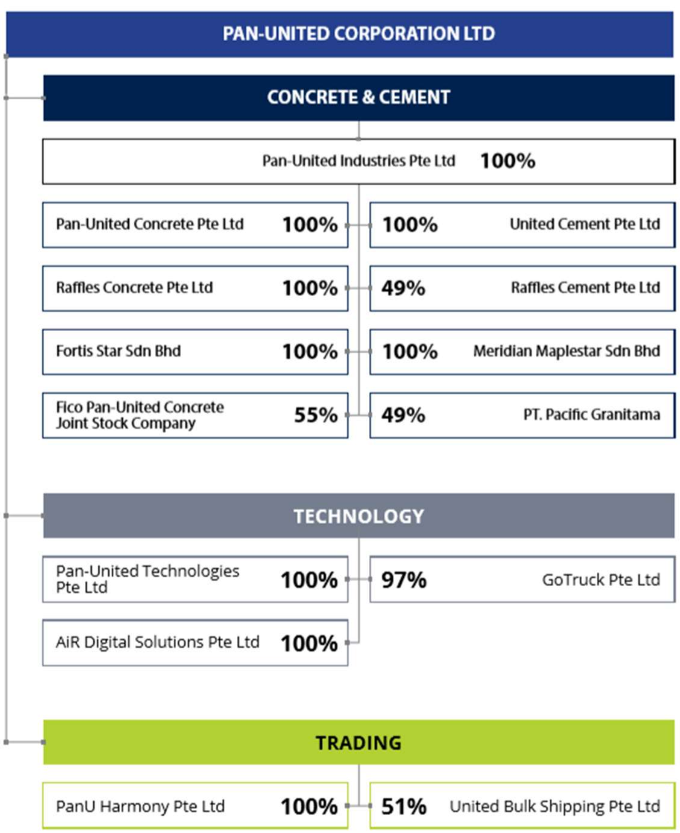
Source: PSR, Companies, Bloomberg

Appendix I: Industry Overview



Source: Company

Appendix II: Corporate Structure



Source: Company

Financials

Income Statement

Y/E Dec, (S$'000)	FY18	FY19	FY20	FY21e	FY22e
Revenue	**866,430**	**771,718**	**412,368**	**556,394**	**614,502**
Cost of sales	(755,176)	(635,371)	(320,194)	(450,007)	(497,004)
Gross Profit	**111,254**	**136,347**	**92,174**	**106,387**	**117,498**
Staff costs	(37,292)	(42,149)	(32,547)	(37,618)	(41,547)
Depreciation and amortisation expenses	(17,571)	(23,995)	(23,840)	(21,268)	(20,065)
Other expenses	(44,918)	(39,832)	(30,845)	(30,845)	(30,845)
Finance costs	(4,423)	(5,266)	(3,497)	(3,497)	(3,497)
Share of results of associate	1,893	1,074	289	289	289
Profit/(loss) before tax	**8,943**	**26,179**	**1,734**	**13,447**	**21,832**
Income tax expense	(2,399)	(5,250)	(220)	(2,201)	(3,574)
Profit/(loss) after tax	**6,544**	**20,929**	**1,514**	**11,246**	**18,258**
EBIT	**13,366**	**31,445**	**5,231**	**16,944**	**25,329**
EBITDA	**31,571**	**53,600**	**28,000**	**38,213**	**45,395**

Per unit data

Y/E Dec (S cents)	FY18	FY19	FY20	FY21e	FY22e
NAVPS	27.30	28.90	27.70	29.64	30.83
EPS	0.87	2.93	0.15	1.60	2.60
DPS	0.80	1.60	0.80	0.87	1.42

Cash Flow Statement

Y/E Dec, (S$'000)	FY18	FY19	FY20	FY21e	FY22e
CFO					
PBT	**10,428**	**26,179**	**1,734**	**13,447**	**21,832**
Adjustments	21,639	30,323	27,030	17,482	16,279
WC changes	(23,756)	(7,133)	38,821	(4,355)	(9,197)
Cash generated from ops	**8,311**	**49,369**	**67,585**	**26,575**	**28,915**
Others	(6,319)	(6,749)	(7,975)	(2,201)	(3,574)
Cashflow from ops	**1,992**	**42,620**	**59,610**	**24,374**	**25,341**
CFI					
Additions to PPE	(11,424)	(4,779)	(6,168)	(8,507)	(8,026)
Additions to intangible assets	(811)	(1,173)	(1,773)	-	-
Dividend income from associates	2,543	764	-	-	-
Others	(3,711)	71	191	-	-
Cashflow from investments	**(13,403)**	**(5,117)**	**(7,750)**	**(8,507)**	**(8,026)**
CFF					
Proceeds from bank borrowings	108,161	76,984	71,661	-	-
Repayment of bank borrowings	(106,400)	(96,419)	(91,487)	-	-
Dividends paid to shareholders	(5,607)	(9,112)	(7,715)	(6,141)	(9,970)
Others	(664)	(6,989)	(6,099)	-	-
Cashflow from financing	**(4,510)**	**(35,536)**	**(33,640)**	**(6,141)**	**(9,970)**
Net change in cash	**(15,921)**	**1,967**	**18,220**	**9,725**	**7,345**
Cash at the start of the period	63,133	47,894	49,646	67,558	77,283
Currency translation	682	(215)	(308)	-	-
Others	-	-	-	-	-
Ending cash	**47,894**	**49,646**	**67,558**	**77,283**	**84,628**

*nm - not meaningful

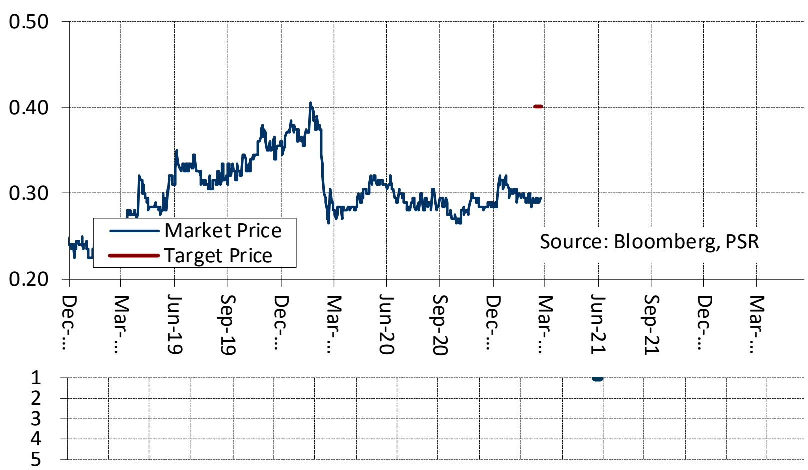
Balance Sheet

Y/E Dec, (S$'000)	FY18	FY19	FY20	FY21e	FY22e
ASSETS					
PPE	180,052	189,603	174,291	161,530	149,491
Intangible assets	4,888	5,659	6,467	6,467	6,467
Associates	3,078	3,388	3,677	3,966	4,255
Others	1,751	1,194	1,124	1,124	1,124
Total non-current assets	**189,769**	**199,844**	**185,559**	**173,087**	**161,337**
Inventories	22,293	22,364	23,908	8,752	27,319
Prepayments	1,825	1,958	1,596	1,214	1,890
Trade and other receivables	149,389	159,686	116,825	86,241	138,033
CCE and short-term deposits	47,894	49,646	67,558	77,283	84,628
Others	10,682	8,605	6,867	6,867	6,867
Total current assets	**232,083**	**242,259**	**216,754**	**180,358**	**258,736**
Total Assets	**421,852**	**442,103**	**402,313**	**353,445**	**420,073**
LIABILITIES					
Payables and accruals	76,442	83,710	79,629	29,153	90,990
ST borrowings	62,274	57,829	44,878	41,381	37,884
Others	8,428	14,843	9,134	9,134	9,134
Total current liabilities	**147,144**	**156,382**	**133,641**	**79,668**	**138,008**
LT borrowings	64,192	49,064	42,503	42,503	42,503
Others	12,192	26,080	23,169	23,169	23,169
Total non-current liabilities	**76,384**	**75,144**	**65,672**	**65,672**	**65,672**
Total liabilities	**223,528**	**231,526**	**199,313**	**145,340**	**203,680**
Net assets	**198,324**	**210,577**	**203,000**	**208,105**	**216,393**
Represented by:					
Share capital	12,645	12,645	12,645	12,645	12,645
Reserves	179,852	190,628	182,339	187,444	195,732
Others	5,827	7,304	8,016	8,016	8,016
Total equity	**198,324**	**210,577**	**203,000**	**208,105**	**216,393**

Valuation Ratios

Y/E Dec	FY18	FY19	FY20	FY21e	FY22e
P/NAV (x)	1.58	0.83	1.06	1.00	0.96
P/E (x)	49	8	193	18	11
EV/EBITDA (x)	12.30	4.36	8.28	5.81	4.65
Dividend yield (%)	1.86	6.67	2.76	2.97	4.81
Growth & Margins					
Growth					
Revenue	37.0%	-10.9%	-46.6%	34.9%	10.4%
Gross profit	10.3%	22.6%	-32.4%	15.4%	10.4%
EBITDA	38.8%	69.8%	-47.8%	36.5%	18.8%
EBIT	16.6%	135.3%	-83.4%	223.9%	49.5%
Margins					
Gross profit margin	12.8%	17.7%	22.4%	19.1%	19.1%
EBITDA margin	3.6%	6.9%	6.8%	6.9%	7.4%
EBIT margin	1.5%	4.1%	1.3%	3.0%	4.1%
Key Ratios					
ROE	3.3%	9.9%	0.7%	5.4%	8.4%
ROA	1.6%	4.7%	0.4%	3.2%	4.3%
Net Gearing	39.6%	37.7%	17.8%	11.0%	5.5%

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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