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UG HEALTHCARE CORP LTD

Never say never to blue skies

SINGAPORE | HEALTHCARE | INITIATION

28 July 2020

- Pandemic has resulted in spot prices for gloves ballooning 5-fold. Order lead times have been stretched from one month to a year. Supply shortfall to continue until 2021.
- With its own branded gloves and distribution network, UG Healthcare should be able to monetize a larger share of supply-chain profits, starting from manufacturing to distribution
- Initiate coverage with BUY recommendation and target price of S$2.70. Valued at 15x FY21e PE, a 40% historical discount to peer on account of its smaller scale and size.

Company Background

Established in 1989 and listed on the SGX in 2014, UG is a disposable-glove manufacturer with two factories in Malaysia. It makes and distributes gloves under its proprietary "Unigloves" brand to more than 2,000 customers in 50 countries, including the UK, Germany, US, China, Brazil and Nigeria. Around 55% of its gloves are latex and the balance nitrile. Industries served include healthcare, food and beverage, electronics, beauty, etc. Annual production capacity is 2.9bn gloves, with plans to expand to at least 3.2bn by FY21e.

Investment Merits

1. **A surge in demand.** Covid-19 has resulted in a sharp spike in demand, precipitating severe industry shortages. Industry order lead times have multiplied from one month before Covid to 12 months. Ex-factory spot prices for nitrile gloves have skyrocketed from US$25 to US$120 per 1,000 pieces. The three levers of demand: a) quantum jumps in the number of hospital patients, frequency of use and typically low inventories, which have led to a scramble for gloves; b) hospitals, governments and NGOs have started to build buffers or strategic stocks to prepare for future spikes in demand; and c) the new normal of hygiene practices has necessitated the use of gloves by consumers and non-healthcare industries such as airlines, airports and restaurants.

2. **Capturing the entire supply chain margins.** Since listing, UG has been investing aggressively in its brands, logistics, warehouses and end-customer network. Sales from its Unigloves brand have leapt from around 50% of the total in 2015 to 85%. Own-brand products offer higher customer stickiness and selling prices. UG can also capture distribution margins. With a network that reaches out to end-customers directly, UG can benefit from higher end-selling prices of gloves and enjoy both manufacturing and distribution margins for its premium branded gloves

3. **Shortage should persist till 2021.** Demand for gloves worldwide was already growing at a CAGR of 10.6% before Covid. We believe the current shortage will persist into 2021. Firstly, glove penetration in emerging markets such as China and Brazil is only 10 and 24 pieces per capita respectively. This compares with 100 and 150 for Europe and the US. UG can benefit from growth in both countries, as it has been entrenching its brand and distribution networks in China and Brazil since 2002 and 2014 respectively. Secondly, industry supply is not expected to meet demand growth even in 2021. Demand was growing by around 30bn a year before Covid. This year, it is expected to grow by 60bn and another 33bn in 2021, as the pandemic has created new growth drivers. This surge of almost 93bn in two years is above expected increases in planned glove capacity of around 74bn. If we assume a 90% utilization rate for the industry, actual supply addition will only be around 67bn pieces.

We initiate UG Healthcare with a BUY rating. Our target price is S$2.70. This is based on 15x PE FY21e. The average discount to peers for UG since listing has been around 40%.

BUY (Initiation)

CLOSING PRICE	SGD 1.750
FORECAST DIV	SGD 0.800
TARGET PRICE	SGD 2.700
TOTAL RETURN	100.0%

COMPANY DATA

Bloomberg CODE:	UGHC SP
O/S SHARES (MN) :	196.1
MARKET CAP (USD mn / SGD mn) :	249 / 343
52 - WK HI/LO (SGD) :	2.1 / 0.13
3M Average Daily T/O (mn) :	11.44

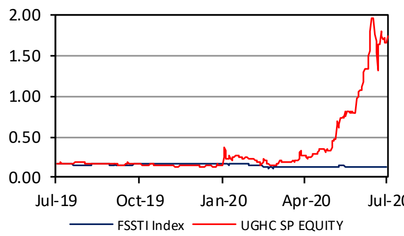
MAJOR SHAREHOLDERS

Zen UG Pte Ltd	49.7%
Raydion Direct Global Inc	12.8%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	66.0	526.4	948.0
STI RETURN	(1.7)	4.4	(19.9)

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Jun, SGD (mn)	FY18	FY19	FY20e	FY21e
Revenue	78.1	91.7	115.5	158.2
EBITDA	5.1	3.1	12.4	36.7
Net Profit	4.3	2.5	11.3	35.2
EPS (SGD cents)	2.3	1.3	5.8	17.9
P/E (X)	77.3	134.9	30.3	9.8
Dividend Yield	0.1%	0.1%	0.5%	1.1%
ROE	10.4%	5.8%	20.6%	38.7%
ROA	5.1%	2.5%	10.0%	22.1%

Source: Company, PSR

VALUATION METHOD

15x PE Multiple FY21e

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REVENUE

Revenue for UG can be split into two large product types, latex (55% of sales) and nitrile (45%)*. Nitrile gloves are predominantly used in healthcare industries in developed countries due to regulations. Meanwhile, latex is used more in emerging markets due to the lower price, comfort and higher sensitivity of such gloves. UG produces many types of gloves that can be differentiated by their weight, raw material, thickness, colour, scent, barcode, etc. Another source of revenue is the sale of ancillary products such as surgical, vinyl and cleanroom gloves, face masks, and other medical disposables. By geography, the major markets for UG are the UK, Germany, Brazil, China and Nigeria. Revenue for UG has been growing around 13% CAGR from FY15 to FY19 as the company expanded production capacity (Figure 2). In FY20 and 21, we expect revenue to surge due to the spike in selling prices. Nitrile gloves are expected to grow faster than latex (Figure 3).

**Latex gloves are made from natural rubber and can be classified into powdered and powder-free. In the past, latex gloves were powdered with cornstarch for easier donning and to prevent sticking. But this can cause a sensitive or allergic reaction to the skin when worn for long periods. Powder-free gloves undergo chlorination that provides a slippery effect on the glove surface to ease donning and removal of the glove without the need for powder. Nitrile gloves are made from petroleum-based synthetic rubber.*

EXPENSES

The breakdown of manufacturing cost are raw materials (55-60%), labour cost (10-11%) and other overheads such as utilizes, depreciation (30-35%). The type of raw material for natural latex gloves is natural rubber latex. Meanwhile, nitrile gloves are made from synthetic rubber (i.e. nitrile latex). The feedstock in the production of nitrile is the petrochemical butadiene. The prices of butadiene have been stable in-line with the weaker crude oil price (Figure 4). Rubber prices similarly are at record lows (Figure 5).

Operating expenses include selling and distribution (3% of sales), administrative expenses (13%) and other operating expenses (2%). The last three years have seen a doubling in operating expense from S$8.1mn in FY16 to 16.8mn in FY19 (Figure 7). Marketing and administrative cost have risen the past two years as the distribution network expanded into new countries such as Brazil. UG had to invest fixed cost such as warehouse and new marketing and sales teams.

MARGINS

EBITDA margins for UG have 6% for the past three years. This is below larger peers such as Riverstone (22%), Top Glove (15%), Hartalega (25%) and Supermax (16%) – Figure 1 The lower margins is due to UG lower production capacity and economies of scale. Without the higher volume, fixed cost per unit will be higher. Besides, the utilization rate will be lower due to higher downtime and smaller batch production runs. Higher contribution from nitrile sales is another factor to margins. Both Hartalega and Riverstone sell only nitrile gloves.

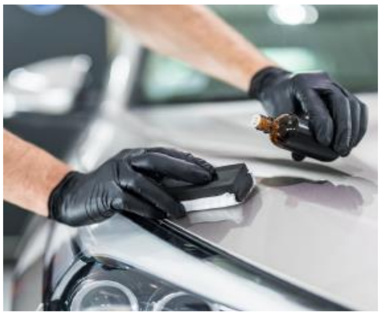
The two years where margins were weakest was in FY17 and FY18. Margins were negatively impacted by higher material cost, gas tariff hike, foreign worker levy and higher depreciation from new product lines. The supply disruption in global butadiene supply caused nitrile latex prices to spike in early 2017. Whilst, difficult to quantify, the margins are higher than typical OEM manufacturer because of the distribution margins which UG can capture.

Figure 1: EBITDA margins of UG vs peers

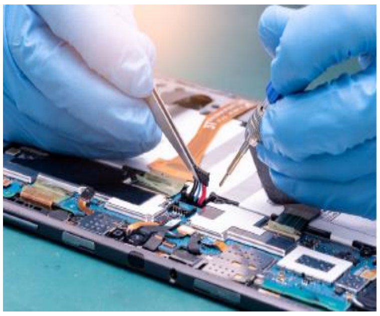
CY	2017	2018	2019	Avg.
Hartalega	25.9%	25.7%	23.3%	24.9%
Rivertone	23.9%	20.6%	20.8%	21.8%
Kossan	15.3%	15.9%	17.3%	16.2%
Top Glove	14.9%	16.4%	14.5%	15.3%
Comfort Gloves	12.9%	11.1%	13.2%	12.4%
Supermax	18.3%	17.0%	11.7%	15.7%
Rubberex	14.2%	9.8%	11.7%	11.9%
UG	5.2%	8.6%	5.3%	6.4%

Source: Bloomberg, PSR

Automotive



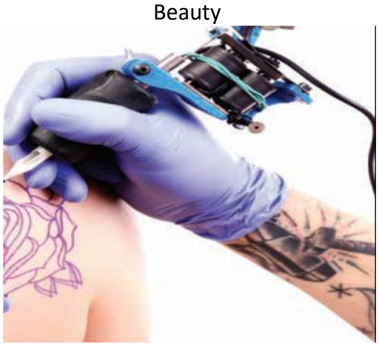
Electronics



Food & Beverage

Healthcare

Beauty

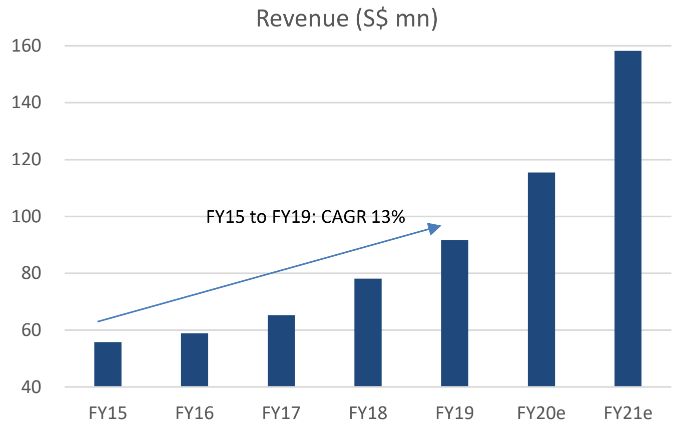


OTHER INCOME

There are two categories of other income

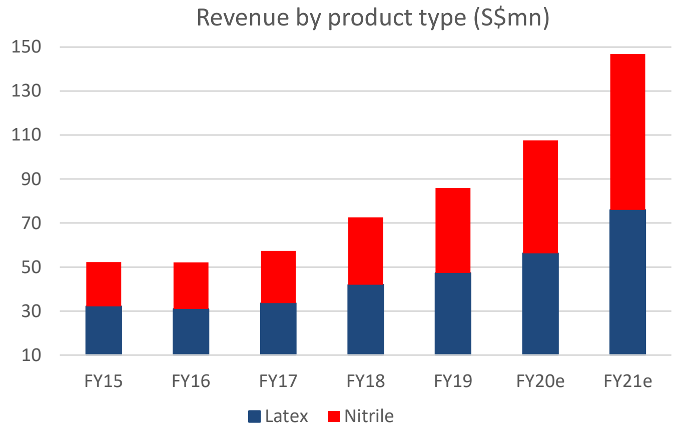
1. Other income: This item in the income statement records fair value gains or losses from derivatives and foreign exchange realized/unrealized gains or losses. Other income is a material item which is as large as the net income for the company. It was S$4mn in FY18 and S$1.8mn in FY19.
2. Associates: The key associate is 19.3% owned German distribution arm - Unigloves Germany. Contribution from associates has been rising S$534k in FY17 to S$711k in FY19.

Figure 2: Revenue has been growing at 13% CAGR from FY15 to FY19



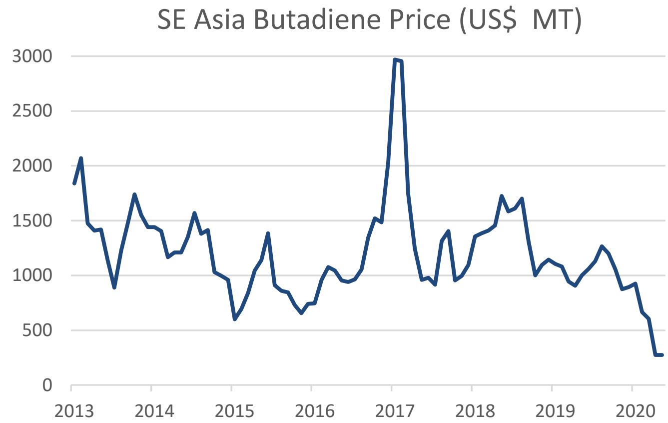
Source: Company, PSR

Figure 3: Nitrile sales rising faster than latex



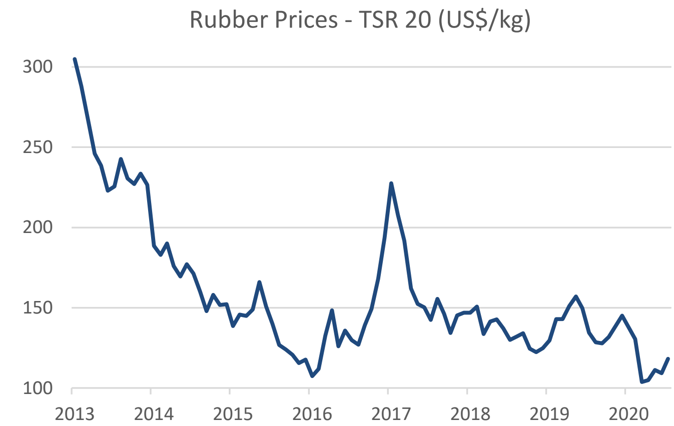
Source: Company, PSR

Figure 4: Lower oil prices have kept butadiene and material cost low



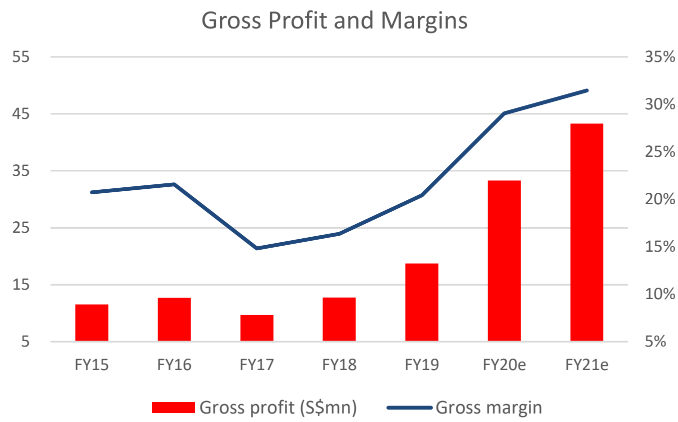
Source: Company, PSR

Figure 5: Rubber prices had touched new lows



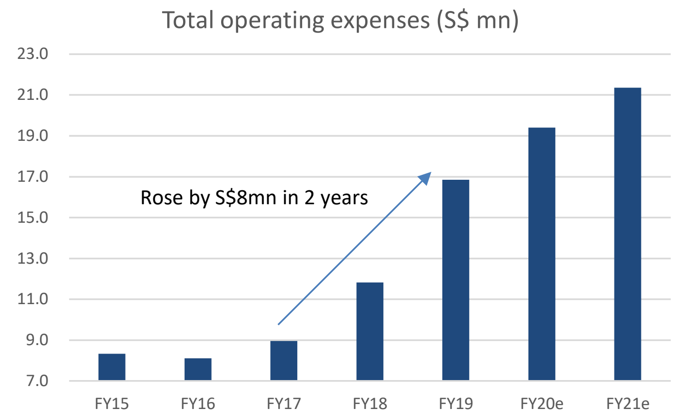
Source: Company, PSR

Figure 6: Gross margin recovering since FY17 lows



Source: Company, PSR

Figure 7: Investing upfront to build the distribution infrastructure



Source: Company, PSR

BALANCE SHEET

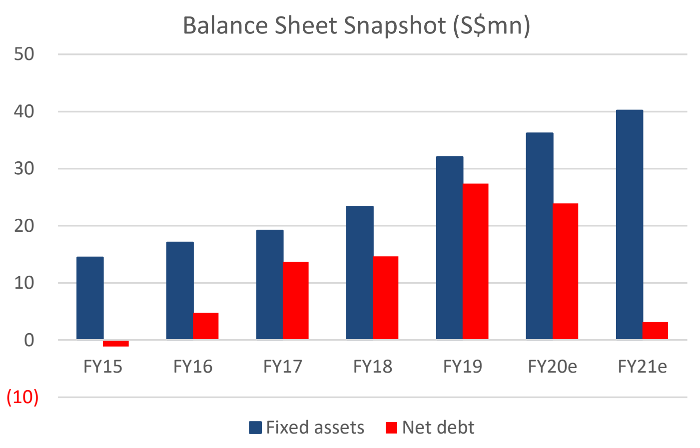
Assets: Fixed assets of the company has doubled over the past four years (FY15-19) to S$32mn (Figure 8). The rise in assets is in tandem with capacity and revenue doubling over a similar period. Conversely, inventory tripled during these four years. Expanding the distribution network into new markets requires warehouse and inventory to become available to customers.

Liabilities: UG swung from net cash of S$1mn to net debt of S$27mn from FY15 to FY19. Debt was required to fund the growth in fixed assets (+S$17mn) and inventory (+$21mn).

CASH-FLOW

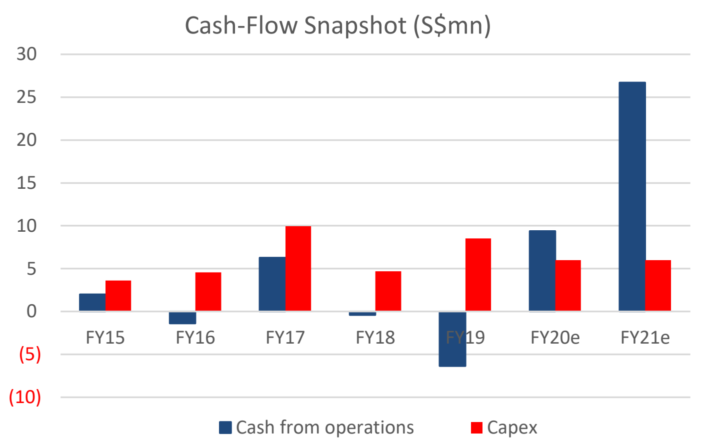
Cash-flow from operations has generally been negligible. Any cash generated has been used to fund inventories and receivables. Accumulated operating cash-flow from the past four years has been a negative S$2mn. Meanwhile, capex required was around S$7mn p.a. between FY16 to FY19, as the company doubled its production capacity from 1.4bn to 2.9bn.

Figure 8: Bank borrowing rose to fund fixed assets and inventory



Source: Company, PSR

Figure 9: Cash generated absorbed by working capital needs



Source: Company, PSR

INDUSTRY

The global rubber gloves industry is dominated by Malaysia exporters. In 2019, Malaysia accounts for 67% of global production followed by Thailand the 2nd largest at 19%, according to MARGMA*. Over the past three years, global demand for gloves has been rising at a CAGR of 12.5% or 29bn pieces a year (Figure 10). Pre-Covid 19, demand for gloves have been driven by increased spending in healthcare, ageing populations, rise in non-communicable diseases, increased regulation and improvement in hygiene, especially in developing countries.

**MARGMA - Malaysian Rubber Glove Manufacturers Association*

When the Covid-19 pandemic struck, the first wave of demand came China. As the pandemic spread, demand from the healthcare sector soaked up large amounts of the supply. The second wave of demand will now come from non-traditional or healthcare sectors and resumption of economic activity as lockdown eases.

Our expectations are for glove demand to rise by 20% in 2020, or 60bn pieces, followed by a 33bn increase in 2021. Our assumptions around demand are:

(i) 20% spike this year is supported by recent Malaysian export numbers. YTDMay20, glove exports from Malaysia is up 19.6% YoY to 391.8k MT (Figure 11).

(ii) For 2021, we use the 7-year pre-Covid 19 CAGR of 9.3% as our baseline growth estimate.

New non-traditional users of masks

- *Travel: airlines passengers and crew, airport personnel*
- *Hospitality: hotel guest and staff*
- *Beauty and wellness: Nail salons, hair salons, massage parlours and other beauty services*
- *Restaurants: All staff*
- *Public transport: buses and trains*
- *Retail: All staff*

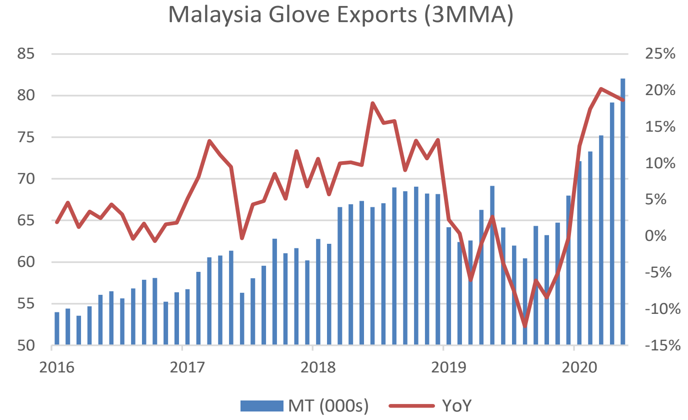
Whilst the rules depend on the states or countries, personnel that have contact with customers or the public are generally required to wear gloves.

Figure 10: Aggressive expansion of capacity totalling 74bn in 2020 and 2021 cannot meet the spike in demand of 93bn pieces (Figure 12)

b gloves p.a.	2016	2017	2018	2019	2020e	2021e
Top Glove	48	52	61	70	86	100
Hartalega	22	27	32	37	39	42
Kossan	22	23	27	29	32	36
Supermax	22	23	22	26	26	36
Riverstone	6	8	9	9	10	12
Sri Trang	14	14	17	27	33	34
UG Healthcare	1.9	2.4	2.4	2.9	3.2	3.5
	137	149	169	201	229	264
Net increase (85% world output)	28	12	21	31	29	34
Others		2	4	6	5	6
Global net increase	33	14	24	37	34	40

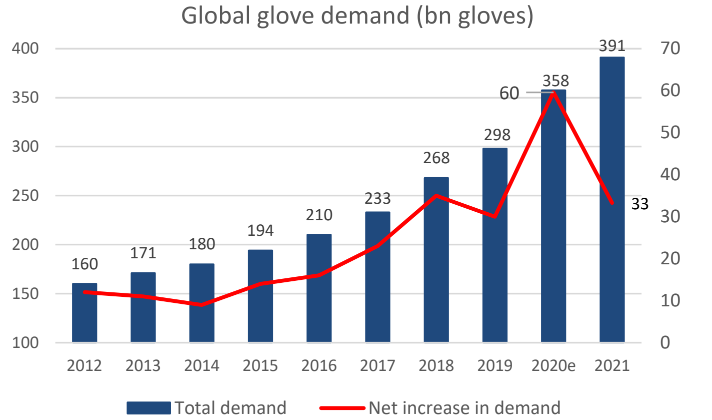
Source: Company, PSR

Figure 11: YTDMay20, Malaysia gloves export volumes are up 19.6%



Source: Company, PSR

Figure 12: Past three years, demand has been rising by 12.4% p.a.



Source: Company, PSR

UG BUSINESS MODEL

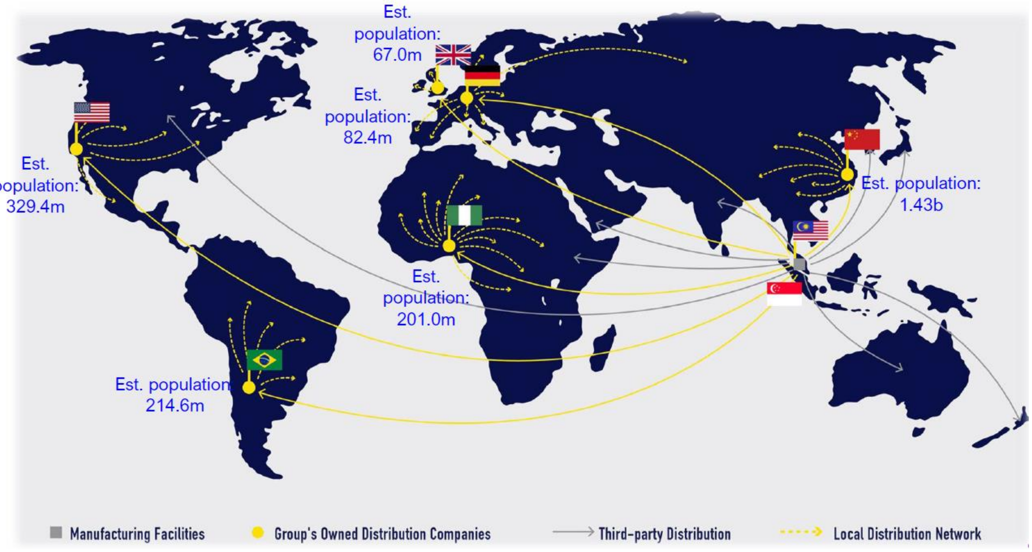
Large glove manufacturers such as Top Glove and Hartalega are largely OEM manufacturers. OEMs manufacture gloves for under the brand of their customers such as large medical distributors (e.g. Medline, OneMed, Marbena, Cardinal Health, Microflex, Ansell, Kimberly Clark), government agencies (Defence or Health Ministries) and non-profit organizations (e.g. WHO, United Nations).

OEMs are not keen to build their own distribution network. Firstly, this is to avoid any conflict of interest. Secondly, managing warehouses and logistics in the destination markets is not their core expertise especially compared to the scale of their production. Another challenge in distribution is the huge variety of products to be stocked and sold, not just a single product - gloves.

The typical logistics or sales cycle is as follows: UG manufactures the gloves from its factory and ship to its warehouses in the UK, China, Brazil and Germany. UG services many end customers that may just order several cartons every week. UG needs to have sufficient stock to meet such consistent orders for next day delivery. For effective sales, UG needs a local sales team to promote the brand, speak to customers, engage in marketing activities and provide after-sales support.

For more than a decade UG has spent building a distribution network for its own branded gloves. It started with Germany and this has now grown to major emerging countries such as Brazil, Nigeria and China (Figure 14, Figure 17). Brazil is a notable country with high barriers to entry due to the need for every glove to be barcoded.

Figure 17: UG built up key distribution points in Brazil, UK, Germany and Nigeria to sell its branded products



Source: Company, PSR

Figure 13: The Unigloves brand

Source: Company, PSR

Figure 14: UG Milestones

YEAR	EVENT
1989	1st manufacturing plant in Seremban commence
1990	Develop German distribution Unigloves Arzt
1992	Start production of powder-free natural latex examination gloves
1998	Start production of nitrile examination gloves
2000	Establish Unigloves UK for the European market
2002	Establish Unigloves Shanghai
2012	Establish a presence in Nigeria
2013	2nd manufacturing plant commences
2018	Acquired new Brazilian distribution subsidiary

Source: Company, PSR

Figure 15: UG Germany

Figure 16: UG Nigeria

Source: Company, PSR

Investment Merits

1. **A surge in demand.** Covid-19 has resulted in a sharp spike in demand, precipitating severe industry shortages. Industry order lead times have multiplied from one month before Covid to 12 months. Ex-factory spot prices for nitrile gloves have skyrocketed from US$25 to US$120 per 1,000 pieces. The three levers of demand are: a) quantum jumps in the number of hospital patients, frequency of use and typically low inventories, which have led to a scramble for gloves; b) hospitals, governments and NGOs have started to build buffers or strategic stocks to prepare for future spikes in demand; and c) the new normal of hygiene practices has necessitated the use of gloves by consumers and non-healthcare industries such as airlines, airports and restaurants.

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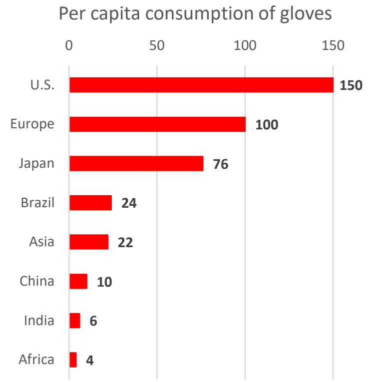
3. **Shortage should persist till 2021.** Demand for gloves worldwide was already growing at a CAGR of 10.6% before Covid. We believe the current shortage will persist into 2021. Firstly, glove penetration in emerging markets such as China and Brazil is only 10 and 24 pieces per capita respectively. This compares with 100 and 150 for Europe and the US. UG can benefit from growth in both countries, as it has been entrenching its brand and distribution networks in China and Brazil since 2002 and 2014 respectively. Secondly, industry supply is not expected to meet demand growth even in 2021. Demand was growing by around 30bn a year before Covid. This year, it is expected to grow by 60bn and another 33bn in 2021, as the pandemic has created new growth drivers (Figure 12). This surge of almost 93bn in two years is above expected increases in planned glove capacity of around 74bn (Figure 10). If we assume a 90% utilization rate for the industry, actual supply addition will only be around 67bn pieces.

<u>UG Growth Drivers</u>

- ✓ Higher selling prices
- ✓ Low raw material cost
- ✓ Increase in production capacity

Figure 18: UG Germany



Source: Company, PSR

Risks:

1. **A decline in selling price.** The largest impact to margins and earnings will be a drop in selling prices for gloves. The current shortfall in supply has triggered a spike in prices. We expect the demand-supply imbalance to continue into 2021. Our assumption for prices is still conservative considering the recent spike (Figure 27).

2. **Import restrictions from the U.S.** On 16 July 2020, Top Glove announced the U.S. Customs and Border Protection has placed a detention order on disposable gloves manufactured by two of the Company's subsidiaries. The urgent need for gloves plus a shortage of supply, there will be pressure to ensure sufficient supply for hospitals and medical workers.

3. **Additional taxes imposed by Malaysian authorities.** In the past, notably palm oil, the Malaysia government has imposed windfall taxes on the palm oil industry due to the surge in palm oil prices. An windfall tax will have dire consequences to the equity markets in Malaysia where the combined market capitalization of rubber glove companies total around RM170bn.

Valuation

We initiate coverage on UG Healthcare with a BUY recommendation. We peg UG to a PE of 15x FY21e. It is a 40% discount to peer valuations of around 25x PE (Figure 19).

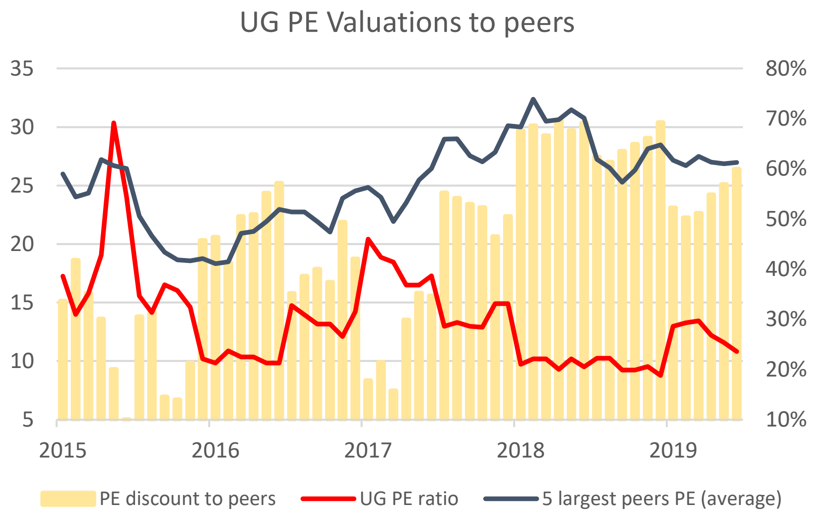
UG has always traded at a discount to its larger peers due to its lower scale, growth and liquidity. The discount has widened recently to 60% due to the weaker financial performance of UG, in our opinion. We believe this discount can shrink to back to at least the historical average since listing of around 40x PE as the financials start to turnaround for UG (Figure 20).

Figure 19: Industry peers trading at 25x PE – 2 years forward

Company	1 Mth Perf.	3 Mth Perf.	YTD Perf.	Share Px Local Crcy	Mkt. Cap. (US$ m)	PE Yr 0	PE Yr +1	PE Yr +2	P/BV Yr 0	Dividend Yield	ROE Yr 0	EV/ EBITDA
Rubber Gloves												
Top Glove	74%	260%	451%	25.88	16,439	191.7	48.5	18.4	14.5	0.3%	18.2%	34.6
Hartalega Holdings	53%	142%	234%	18.30	14,750	144.3	50.2	54.2	24.4	0.3%	18.1%	39.1
Supermax Corp	155%	645%	1155%	17.44	5,296	182.9	56.2	19.3	18.5	0.1%	12.1%	37.0
Kossan Rubber	110%	201%	301%	16.70	5,023	95.1	34.8	27.8	14.3	0.0%	16.3%	25.3
Riverstone	47%	186%	268%	3.40	1,826	59.6	23.0	21.1	9.8	0.6%	17.4%	16.1
Comfort Gloves	71%	253%	499%	4.73	648	83.1	36.3	24.2	8.4	0.0%	13.4%	22.3
Rubberex Crop.	44%	210%	641%	4.00	261	41.9	74.0	55.5	4.7	0.5%	16.2%	34.9
UG Healthcare	62%	560%	1150%	1.75	249	136.9	30.3	9.8	8.1	0.1%	4.8%	29.6
	79%	258%	444%		44,492	140.7	45.4	25.2	17.9	0.3%	17.0%	34.4

Source: Bloomberg, PSR

Figure 20: UG has always traded at a discount to larger peers, an average of 40% since listing



Source: Bloomberg, PSR. 5 largest peers PE (simple average): Top Glove, Hartalega, Kossan Rubber, Supermax and Riverstone Corp

APPENDIX 1 - Background

Established in 1989 and listed on the SGX in 2014, UG is a disposable-glove manufacturer with two factories in Seremban, Malaysia. The factories are located in Senawang Industrial Estate in Seremban. Factories are under NS Unigloves and UG Global Resources subsidiaries (Figure 21,22).

UG makes and distributes gloves under its proprietary "Unigloves" brand to more than 2000 customers in 50 countries, including the UK, Germany, US, China, Brazil and Nigeria. Around 55% of its gloves are latex and the balance nitrile. Industries served include healthcare, food and beverage, electronics, beauty, etc (Figure 24).

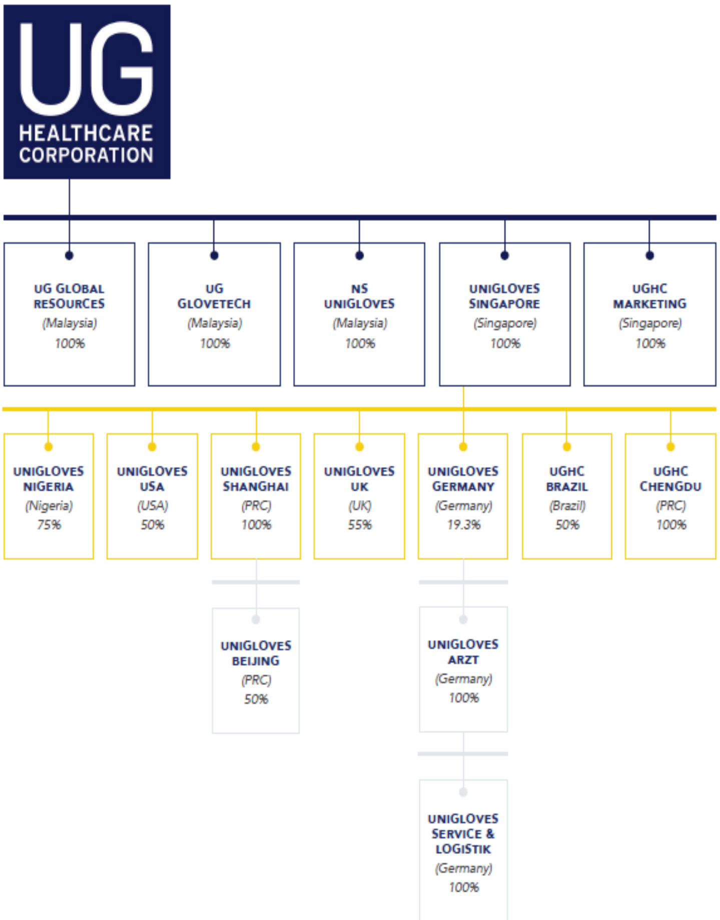
Annual production capacity is 2.9bn gloves, with plans to expand to at least 3.2bn by FY21e. Since listing, UG has doubled capacity from 1.4bn to 2.9bn. Last few years has seen UG expand capacity by 500mn every two years (Figure 26).

Figure 21: Factory no 1

Figure 22: Factory no 2

Source: Company, PSR

Figure 23: UG Organization structure



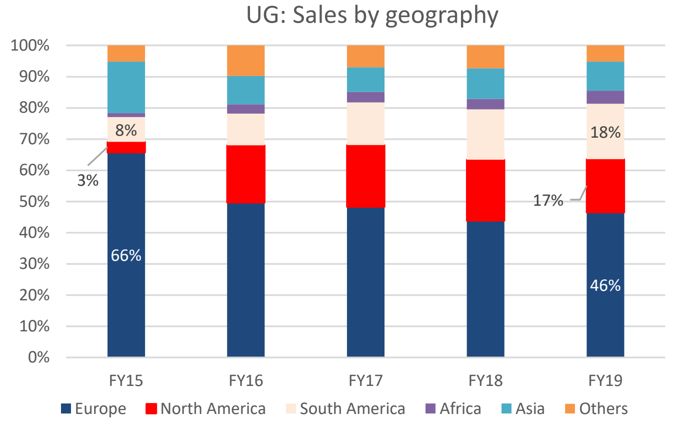
Source: Company, PSR

Figure 24: Types of end customers

Industry	Customers
Healthcare	Hospitals, Dental, Nursing homes, clinics
Manufacturing	Automotive, Electronics
Life Science	Laboratories, Manufacturers
Food & Beverage	Food processing companies
Beauty	Hair salons, Tattoo studios

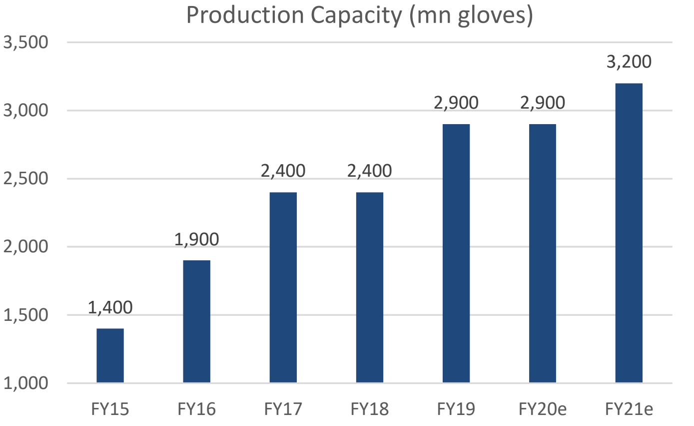
Source: Company, PSR

Figure 25: North and South America the fastest growing market



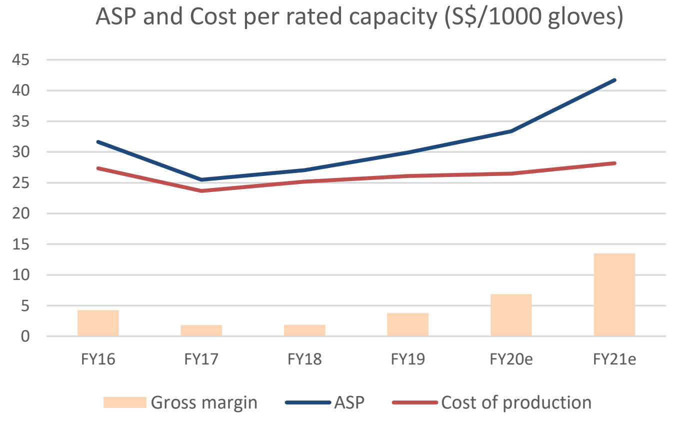
Source: Company, PSR

Figure 26: Capacity jumped 500mn pieces every two years



Source: Company, PSR

Figure 27: Our ASP forecast still looks conservative



Source: Company, PSR

Financials

Income Statement

Y/E Dec, SGD '000	FY17	FY18	FY19	FY20e	FY21e
Revenue	**65,239**	**78,060**	**91,715**	**115,475**	**158,218**
Gross profit	9,666	12,764	18,719	34,885	66,833
EBITDA	**7,925**	**5,111**	**3,129**	**12,410**	**36,720**
Depreciation & amortisation	5,518	1,432	1,608	1,842	2,022
EBIT	**1,646**	**3,670**	**1,506**	**10,562**	**34,692**
Net Finance Inc/(Exp)	(497)	(758)	(1,618)	(2,187)	(2,187)
Profit before tax	2,569	5,047	2,763	14,453	44,865
Taxation	(389)	(734)	(546)	(2,891)	(8,973)
Minority intrest	264	22	290	(231)	(718)
PATMI	**2,444**	**4,335**	**2,507**	**11,331**	**35,174**

Per share data (SGD Cents)

Y/E Dec	FY17	FY18	FY19	FY20e	FY21e
EPS, Reported	1.3	2.3	1.3	5.8	17.9
DPS	0.2	0.2	0.3	0.8	2.0
BVPS	19.4	21.9	22.4	28.0	46.3

Cash Flow

Y/E Dec, SGD '000	FY17	FY18	FY19	FY20e	FY21e
CFO					
Profit before tax	**2,569**	**5,047**	**2,763**	**14,453**	**44,865**
Adjustments	5,289	3,837	736	2,996	2,930
WC changes	(343)	(7,581)	(7,652)	(2,982)	(9,913)
Cash generated from ops	7,515	1,303	(4,153)	14,467	37,882
Tax paid	(31)	(947)	(523)	(2,891)	(8,973)
Cashflow from ops	**6,276**	**(402)**	**(6,367)**	**9,390**	**26,722**
CFI					
CAPEX, net	(9,946)	(4,679)	(8,532)	(6,000)	(6,000)
Others	(1,578)	265	1,643	38	84
Cashflow from investments	**(11,524)**	**(4,414)**	**(6,889)**	**(5,962)**	**(5,916)**
CFF					
Share issuance, net	32	-	-	-	-
Loans, net of repayments	6,453	7,953	11,499	-	-
Dividends	(436)	-	(103)	-	-
Others	(1,181)	-	-	-	-
Cashflow from financing	**4,868**	**7,953**	**11,396**	**-**	**-**
Net change in cash	(380)	3,137	(1,860)	3,428	20,806
CCE, end	**5,338**	**8,475**	**6,615**	**8,299**	**29,106**

Source: Company, Phillip Securities Research (Singapore) Estimates

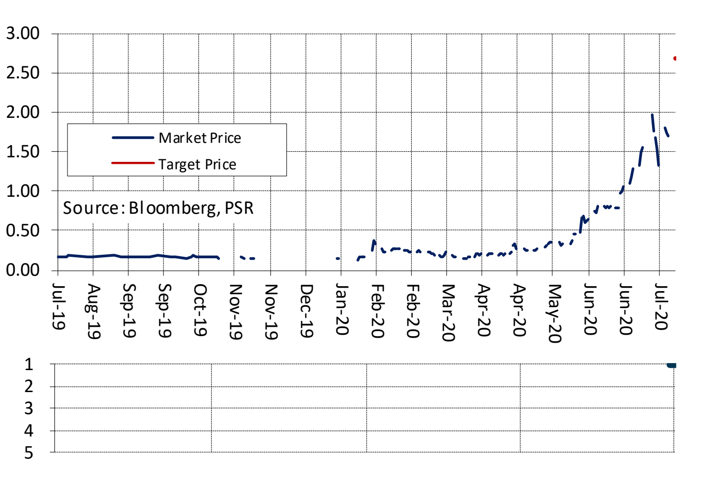
Balance Sheet

Y/E Dec, SGD '000	FY17	FY18	FY19	FY20e	FY21e
ASSETS					
Trade and other receivables	21,289	25,138	24,052	28,869	37,972
Cash	3,538	6,731	4,871	8,299	29,106
Inventories	15,699	22,130	31,031	32,333	42,719
Total current assets	**40,842**	**55,184**	**61,750**	**71,297**	**111,593**
PPE & IA	19,425	23,615	32,340	36,492	40,465
Others	5,974	6,385	4,999	5,999	7,199
Total non-current assets	**25,399**	**30,000**	**37,339**	**42,491**	**47,664**
Total Assets	**66,241**	**85,184**	**99,089**	**113,789**	**159,257**
LIABILTIES					
Accounts payable	8,760	13,625	14,184	17,321	26,897
Bank borrowings	17,233	21,362	32,239	32,239	32,239
Derivatives	-	753	-	-	-
Others	-	-	-	-	-
Total current liabilities	**25,993**	**35,740**	**46,424**	**49,561**	**59,137**
Deferred tax liabilities	1,535	2,092	3,201	3,201	3,201
Deferred income	1,654	5,478	6,100	6,100	6,100
Others	-	-	-	-	-
Total non-current liabilities	**3,189**	**7,570**	**9,301**	**9,301**	**9,301**
Total Liabilities	**29,182**	**43,310**	**55,725**	**58,862**	**68,438**
Equity					
Non-controlling interests	(75)	(83)	1,036	1,267	1,985
Shareholder Equity	**37,059**	**41,874**	**43,364**	**54,926**	**90,819**

Valuation Ratios

Y/E Dec	FY17	FY18	FY19	FY20e	FY21e
P/E (X)	137.1	77.3	134.9	30.3	9.8
P/B (X)	9.0	8.0	7.8	6.2	3.8
EV/EBITDA (X)	1.9	3.3	9.8	2.2	0.2
Dividend Yield (%)	0.1%	0.1%	0.1%	0.5%	1.1%
Growth & Margins					
Growth					
Revenue	10.9%	19.7%	17.5%	25.9%	37.0%
EBITDA	34.8%	-35.5%	-38.8%	296.6%	195.9%
EBIT	-65.9%	123.0%	-59.0%	601.3%	228.5%
Net profit, adj.	N.M.	77.4%	-42.2%	352.0%	210.4%
Margins					
Gross margin	14.8%	16.4%	20.4%	30.2%	42.2%
EBITDA margin	12.1%	6.5%	3.4%	10.7%	23.2%
EBIT margin	2.5%	4.7%	1.6%	9.1%	21.9%
Net profit margin	3.7%	5.6%	2.7%	9.8%	22.2%
Key Ratios					
ROE (%)	6.6%	10.4%	5.8%	20.6%	38.7%
ROA (%)	3.7%	5.1%	2.5%	10.0%	22.1%
Net Gearing (%)	41.1%	39.9%	70.5%	49.4%	7.0%
Net Debt/EBITDA (X)	1.9	3.3	9.8	2.2	0.2

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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