

Singapore Company Guide

UOL Group

Version 13 | Bloomberg: UOL SP | Reuters: UTOS.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

10 Dec 2018

HOLD

Last Traded Price (7 Dec 2018): S\$6.25 (STI : 3,111.12)

Price Target 12-mth: S\$7.15 (14% upside) (Prev S\$7.82)

Analyst

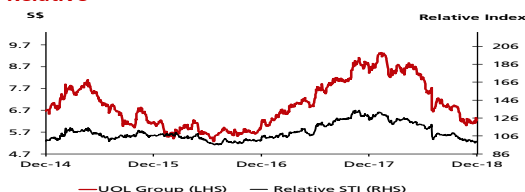
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What's New

- First foray into Australia office market; in line with plans to build recurring income
- Expected to launch remaining land bank (>1,000 units) by 2Q19
- Attractive valuations but limited near-term positive catalysts from Singapore property
- Maintain HOLD; lowered TP to S\$7.15 from S\$7.82 previously

Price Relative



Forecasts and Valuation

| FY Dec (\$m) | 2017A | 2018F | 2019F | 2020F |
|--------------------------|-------|-------|--------|-------|
| Revenue | 2,103 | 2,173 | 1,896 | 2,783 |
| EBITDA | 667 | 852 | 760 | 870 |
| Pre-tax Profit | 1,049 | 614 | 513 | 626 |
| Net Profit | 891 | 414 | 327 | 415 |
| Net Pft (Pre Ex.) | 352 | 414 | 327 | 415 |
| Net Pft Gth (Pre-ex) (%) | 8.5 | 17.6 | (21.0) | 26.8 |
| EPS (S cts) | 106 | 49.2 | 38.8 | 49.3 |
| EPS Pre Ex. (S cts) | 41.8 | 49.2 | 38.8 | 49.3 |
| EPS Gth Pre Ex (%) | 4 | 18 | (21) | 27 |
| Diluted EPS (S cts) | 106 | 49.2 | 38.8 | 49.3 |
| Net DPS (S cts) | 17.5 | 17.5 | 17.5 | 17.5 |
| BV Per Share (S cts) | 1,122 | 1,154 | 1,175 | 1,207 |
| PE (X) | 5.9 | 12.7 | 16.1 | 12.7 |
| PE Pre Ex. (X) | 14.9 | 12.7 | 16.1 | 12.7 |
| P/Cash Flow (X) | 5.6 | 17.1 | 12.4 | 3.8 |
| EV/EBITDA (X) | 19.4 | 15.3 | 17.2 | 13.9 |
| Net Div Yield (%) | 2.8 | 2.8 | 2.8 | 2.8 |
| P/Book Value (X) | 0.6 | 0.5 | 0.5 | 0.5 |
| Net Debt/Equity (X) | 0.2 | 0.2 | 0.2 | 0.1 |
| ROAE (%) | 10.1 | 4.3 | 3.3 | 4.1 |
| Earnings Rev (%) | | (19) | (22) | (13) |
| Consensus EPS (S cts): | | 49.1 | 46.4 | 49.2 |
| Other Broker Recs: | | B: 9 | S: 1 | H: 4 |

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P

A warm Christmas for UOL

Maintain HOLD; TP at S\$7.15. We maintain our HOLD rating but lower our TP to S\$7.15 from S\$7.82 on UOL Group (UOL) based on a higher discount to RNAV of 40% vs 35% previously. Although its share price is at attractive valuations (at close to 2SD below historical average), we see limited catalysts for the stock and sector given expectations of a property market slowdown which historically implies that UOL's share price will likely be trading in a range.

Where we differ: More room for pricing with land bank acquired at a lower price. Although UOL is one of the proxies to Singapore property, we believe the company may be less impacted as being the earliest to land bank at a lower price would offer more room in pricing its properties (except Silat Avenue and Nanak Mansions which were acquired in 2017/18). In addition, upward trends in office rents and hotel RevPAR bode well for UOL's office and hotel investment properties.

Potential catalysts: Property sales remain strong despite change in sentiment, recovery in office rental rates and hotel RevPAR.

First foray into Australia office market in line with plans to build recurring income. UOL made its first acquisition of an office building in Sydney, Australia recently for A\$155m, with 100% occupancy and lease expiring in 2028. This is in line with its plans to build its recurring income as sentiment on Singapore property weakens. This could lead to further expansion and diversification of its assets in Australia.

Valuation:

Maintain HOLD rating with a lower TP of S\$7.15, pegged to a 40% discount to our RNAV, taking into account the heightened uncertainty from government tightening measures.

Key Risks to Our View:

Economic slowdown. The downside risk to our projections is if residential sales are slower than our projections or if commercial properties and hotel operations are impacted by slower-than-projected growth in rental/room rates.

At A Glance

| | |
|---|---------------|
| Issued Capital (m shrs) | 843 |
| Mkt. Cap (\$m/US\$m) | 5,267 / 3,845 |
| Major Shareholders (%) | |
| CY Wee & Co Pte Ltd | 13.7 |
| Wee Investment Pte Ltd | 13.2 |
| Haw Par Corp Ltd | 8.6 |
| Free Float (%) | 57.4 |
| 3m Avg. Daily Val (US\$m) | 6.8 |
| ICB Industry : Financials / Real Estate | |



Live more, Bank less

WHAT'S NEW

A warm Christmas for UOL

First foray into Australia office market; potentially leading to more, in line with its plan to build recurring income. UOL announced the acquisition of an office building in Sydney, Australia for A\$155m, its first foray into the office market in Australia. This is also the first acquisition after the announcement to appoint Mr Liam, current Deputy Group CEO, as the new Group Chief Executive effective from 2 January 2019. We understand that the price is close to the asking price of A\$150m. In UOL's announcement, it is said that "the acquisition is in line with the Group's plan to diversify its presence in Australia and to strengthen recurring income streams".

The freehold property is located at 72 Christie Street, St Leonards, Sydney Australia. This is located in North Sydney, a much sought-after suburban office area and alternative to vacancy constraints and major stock withdrawals in Sydney CBD.

According to news report, the seller, Proprium Capital Partners acquired the building in February 2017 for A\$76m at an 8.5% initial yield. It was then leased to WPP ANUZ, formerly known as STW Communication Group. However, in July 2018, we understand that Mastercard signed a 10-year lease at 72 Christie Street to consolidate its four existing offices across Sydney. Mastercard took occupancy in 3Q18.

According to Savills Research, the yield for an A Grade office building in North Sydney ranges from 5.0-5.5%.

With this first foray into Australia office property, this could lead to further expansion and diversification of its assets in Australia. We believe this acquisition will contribute to building UOL's recurring income base as sentiment on Singapore property weakens. The freehold property with a long WALE and 100% occupancy will provide a stable stream of income and reduce earnings volatility risks.

Key details of the property:

| | |
|--------------------|---|
| Location | 72 Christie Street, St Leonards, Sydney, Australia |
| Description | 8-storey office building with 4-storey basement parking |
| Tenure | Freehold |
| Site Area | 2,815 sqm |
| NLA | c.11,259 sqm |
| Lease | 100% occupancy with lease expiring in 2028 |

9M18 core profits fell marginally due to lower development profits, mitigated by higher UOB dividend income. UOL's 9M18 earnings fell 63% y-o-y to S\$299m, mainly due to the recognition of negative goodwill of S\$535.6m in 9M17 on acquisition net of the loss on derecognition of associated and JV companies arising from the UIC consolidation. Excluding fair value and other gains, 9M18 net profit would have fallen 3% y-o-y to S\$260m largely due to lower contributions from property development, higher amortisation of development property due to UIC consolidation (S\$19m in 9M18 vs S\$6m in 9M17) and offset by higher dividend income declared by UOB (S\$48m in 9M18 vs S\$30m in 9M17).

9M18 revenue grew 41% y-o-y, mainly due to the consolidation of UIC's investment properties and 120 Holborn Island.

Higher 3Q18 core profits led by property investments and dividend income. Similarly, 3Q18 earnings fell 85% y-o-y on lower fair value and other gains. 3Q18 net profit (ex-fair value and other gains) rose 5% y-o-y to S\$93m, led by higher profit from property investments and higher dividend income received.

3Q18 revenue fell 3% y-o-y despite higher revenue from property investments led by the consolidation of UIC mainly due to less property development (-43% y-o-y) as older projects completed/approaching completion were offset by new projects such as The Clement Canopy and Amber 45.

Gross margins improved to 45%. Gross margins improved to 45% in 3Q18 vs 31% in 3Q17 led by higher contributions from property investments which have higher margins. 9M18 gross margin was 39% vs 32% in 9M17.

Outlook

Expected to launch remaining land bank (Nanak Mansions and Silat Avenue) of more than 1,000 units in 2Q19. Amber 45 (launched in May 2018) and The Tre Ver (launched in July 2018) continue to achieve steady sales with 70% and 30% sold to date respectively. UOL maintains its plans to launch Nanak Mansions (56 units) and Silat Avenue (1,074 units), both in 2Q19. In China, UOL targets to launch Park Eleven Phase 2 of 127 units by 4Q18, and Phase 3 of 107 units likely in 2019.

Hotels impacted by ongoing renovations. The Singapore hotels' RevPAR are still impacted by ongoing renovations while Parkroyal at Kitchener is seeing +5% RevPAR. Overall in Singapore, RevPAR is +1% to 2%. Australia hotels are still seeing positive RevPAR largely from Parkroyal Melbourne Airport and Parkroyal Parramatta.

Upward trends in office rental rates; retail remains challenging. Management continues to see office rental rate uptrends and healthy demand. 26% of its office leases are expiring in 2019 and the bulk of it is in Odeon Towers expiring in mid-2019 and management sees healthy enquiries to back-fill the space. Management still sees challenging environment in the retail space (such as Marina Square) but OneKM is now seeing flattish rental reversions. The office rental market in Midtown remains steady despite Brexit. Rental reversions remain positive for both its office properties and 110 High Holborn, which has achieved 100% occupancy.

Maintain HOLD; lower TP to S\$7.15. We maintain our HOLD rating on UOL but lower our TP to S\$7.15 from S\$7.82 based on a higher discount to RNAV of 40% (35% previously). We reduced our FY18F-FY20F earnings estimates by 13-22% mainly reducing share of associates or JV results from completion of projects and the consolidation of UIC's projects.

It is currently trading at 0.5x FY19F P/NAV, at close to 2 standard deviations below the historical average traded during the last property cycle (FY13-17). While share price is at an attractive valuation which implies that the potential downside risks from the recent implementation of new cooling measures is limited, we see limited catalysts for the stock and sector given expectations of a property market slowdown which historically implies that UOL's share price will likely be trading in a range.

Quarterly / Interim Income Statement (S\$m)

| FY Dec | 3Q2017 | 2Q2018 | 3Q2018 | % chg yoy | % chg qoq |
|-------------------------|-------------|------------|-------------|---------------|---------------|
| Revenue | 538 | 635 | 524 | (2.6) | (17.6) |
| Cost of Goods Sold | (370) | (388) | (289) | (21.9) | (25.6) |
| Gross Profit | 168 | 247 | 235 | 39.7 | (5.0) |
| Other Oper. (Exp)/Inc | (72.8) | (90.2) | (85.5) | 17.3 | (5.2) |
| Operating Profit | 95.3 | 157 | 150 | 56.8 | (4.8) |
| Other Non Opg (Exp)/Inc | 5.60 | 5.22 | 4.38 | (21.8) | (16.1) |
| Associates & JV Inc | 37.2 | 0.24 | 1.73 | (95.4) | 632.2 |
| Net Interest (Exp)/Inc | (8.6) | (9.7) | (5.7) | 33.3 | 41.2 |
| Exceptional Gain/(Loss) | 527 | 64.4 | 0.0 | nm | nm |
| Pre-tax Profit | 657 | 217 | 150 | (77.2) | (31.0) |
| Tax | (17.0) | (24.4) | (20.8) | 22.6 | (14.6) |
| Minority Interest | (21.7) | (60.2) | (36.3) | (67.3) | (39.7) |
| Net Profit | 618 | 133 | 92.8 | (85.0) | (30.0) |
| Net profit bef Except. | 90.9 | 68.3 | 92.8 | 2.1 | 36.0 |
| EBITDA | 175 | 196 | 187 | 6.5 | (4.6) |
| Margins (%) | | | | | |
| Gross Margins | 31.3 | 38.9 | 44.9 | | |
| Opg Profit Margins | 17.7 | 24.7 | 28.5 | | |
| Net Profit Margins | 114.9 | 20.9 | 17.7 | | |

Source of all data: Company, DBS Bank

CRITICAL DATA POINTS TO WATCH

Critical Factors

Retail and office sub-segments to offer stable returns. UOL Group Limited (UOL) derives a significant 47-58% of its revenues from retail, office and hotel segments which should continue delivering stable cashflows in the coming years. While we see headwinds in both the retail and office segments ahead, we believe that the positioning and location of UOL's portfolio of commercial properties, mainly along the fringe areas of the CBD, will result in lower volatility in rents.

UIC's portfolio of investment properties are complementary to the group's exposure in largely city fringe properties as a majority of the group's properties are located in the central business district (CBD). With close to c.21% of the space up for renewal in 2018, the tight competitive supply within the CBD will, in our view, result in potentially stronger rental reversionary prospects.

Its retail malls - United Square and Novena Square - are located in the Novena area, close to the emerging medical hub. The malls have formed a niche, which should result in high tenant stickiness. This is especially so for United Square, which houses tenants well known for providing various children's education programmes. On the other hand, Novena Square's tenant mix mainly caters to necessity shopping and the needs of the vicinity's growth as a medical hub.

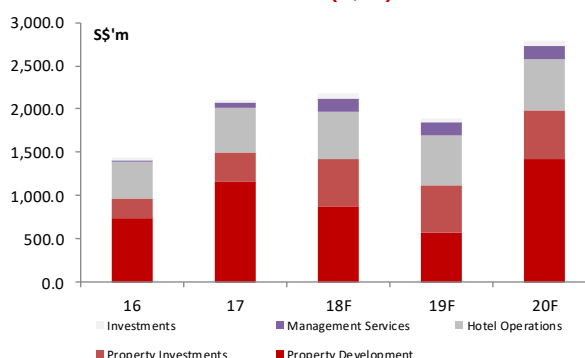
Hotel performance – weakness in Asia; overall outlook stable.

Growth will be driven by the acquisition of Pan Pacific Melbourne in 2017 while performances from hotels and serviced residences are expected to turn up on the back of stronger economic growth driving business travel. We expect the operational performance of the group's hotels and residences in Singapore and Australia to improve as well. Portfolio RevPAR is expected to improve to the tune of c.3% in 2018. UOL is also revamping Pan Pacific Hotel Orchard into a 340-room "green hotel", completing in 2021.

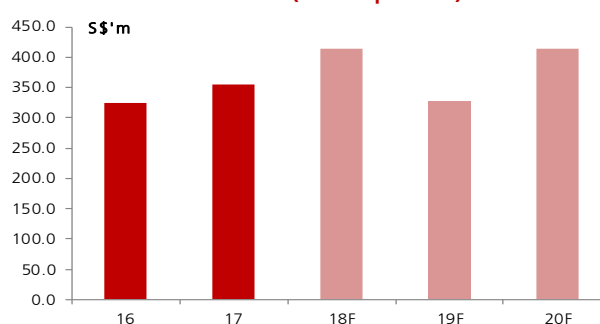
Presales for residential projects doing well amid muted

residential outlook. As of FY17, UOL has substantially sold most of its projects (c.1,090 properties for S\$1.05bn) that are completed or currently under development, and has added three sites which could yield close to 925 units when launched over the next two years. Management believes that the Singapore property market has found a steady state at current levels and the increase in industry sales volume has been encouraging. The launch of the recently acquired sites at 45 Amber Road, Nanak Mansions and Raintree Gardens will be keenly watched given the group's dwindling land bank.

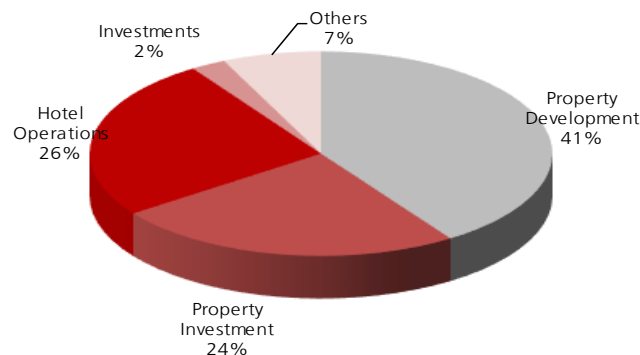
Revenue (\$S'm)



Net Profit (ex-exceptionals)



Breakdown of revenue contribution



RNAV

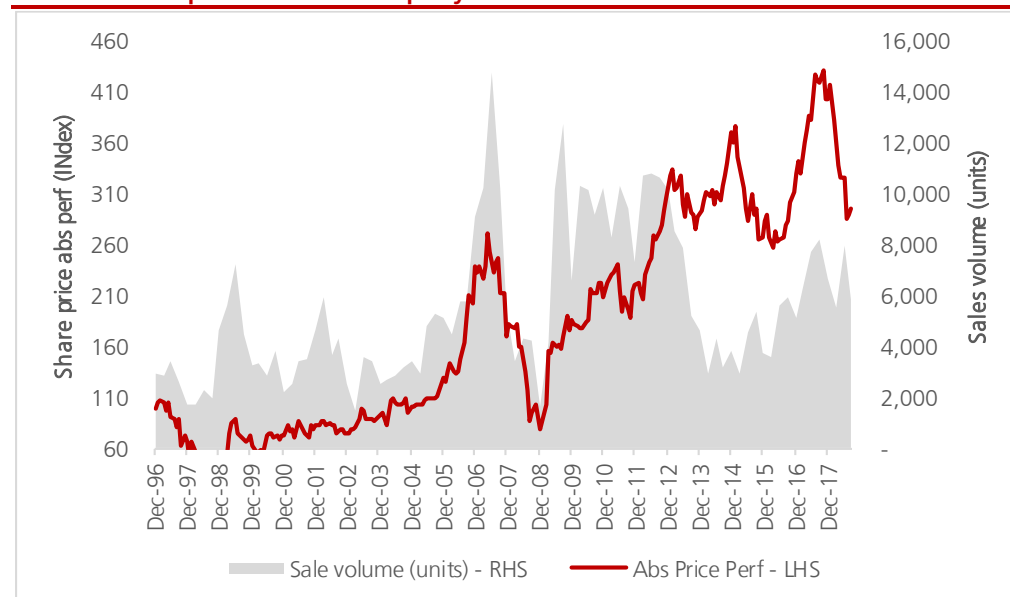
| Breakdown of RNAV | OMV (\$m) |
|-------------------------------------|--------------|
| Properties | |
| Investment Properties | 4,057 |
| less book value | -4,243 |
| Surplus/deficit | -185 |
| NPV of devt profits | 886 |
| Mark to TP value of quoted holdings | |
| Listed equities/Strategic Holdings | 4,809 |
| Hotel operations | 3,175 |
| Total | 7,984 |
| less book value | -6,781 |
| Surplus | 1,203 |
| Book NAV | 8,127 |
| RNAV | 10,031 |
| Total Shares | 842 |
| RNAV/share (\$) | 11.92 |
| Discount | 40% |
| Price Target (\$) | 7.15 |

Source: Company, DBS Bank

Appendix 1:

UOL's absolute performance vs Property sales volume

Remarks

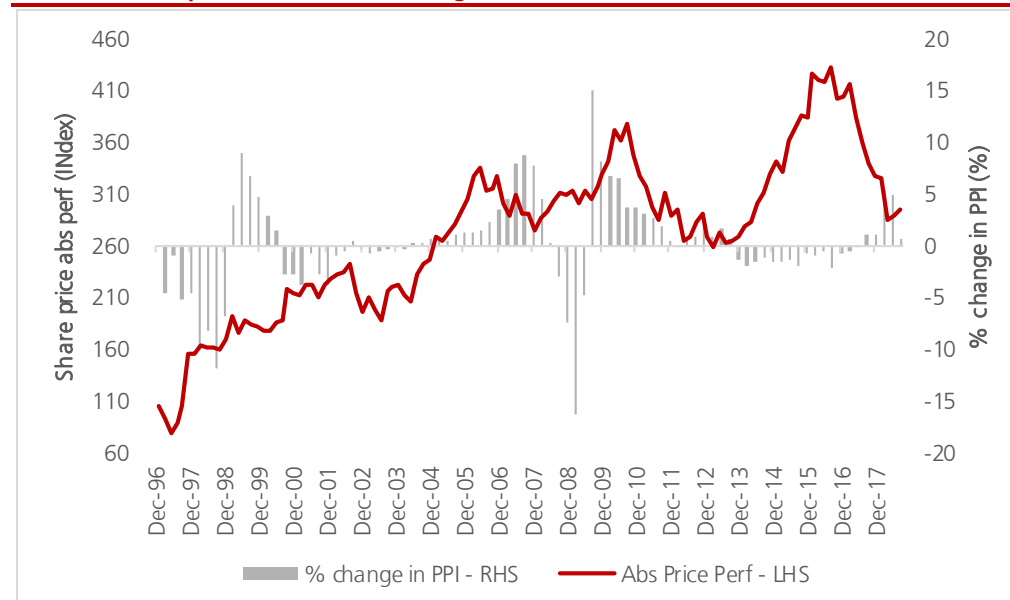


Source: DBS Bank, Thomson Analytics, Company, Bloomberg Finance L.P.

Share price performance is positively correlated to the property sales volume.

UOL's absolute performance vs % change in PPI

Remarks



Source: DBS Bank, Thomson Analytics, Company, Bloomberg Finance L.P.

While we saw some positive correlation in 2006-2014, we do not see any major correlation thereafter.

Balance Sheet:

Balance sheet remains strong. Debt-to-equity ratio is expected to remain stable at 0.3x from FY17A-18F. This leaves UOL with sufficient headroom to acquire projects/new sites when such opportunities come by.

Share Price Drivers:

Replenishing land bank key to income sustainability. The group turns around its projects quickly and has little land bank on its balance sheet. UOL has always been active in land tenders to replenish its land bank especially in Singapore but remains selective given the highly competitive environment seen in recent government land tenders. The ability to secure additional land bank at lower prices will mean upside to RNAVs and this could re-rate the stock.

Strong transaction volumes to drive higher margins. The property market is on an uptrend and we project a price increase of 6-10% over 2018-2019. We believe that UOL, as a proxy to the Singapore property market, is expected to see higher share prices in 2018. Stronger-than-expected rise in prices could mean prospects of higher margins for the group's upcoming launches which will act as a catalyst for further re-rating.

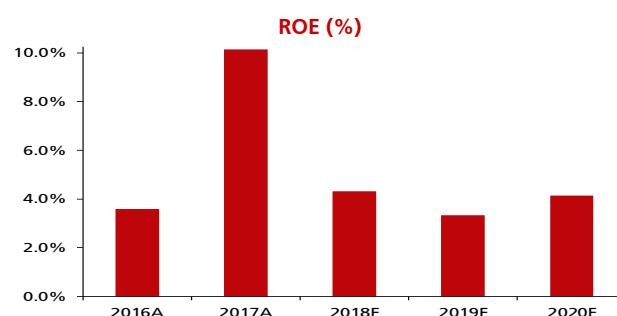
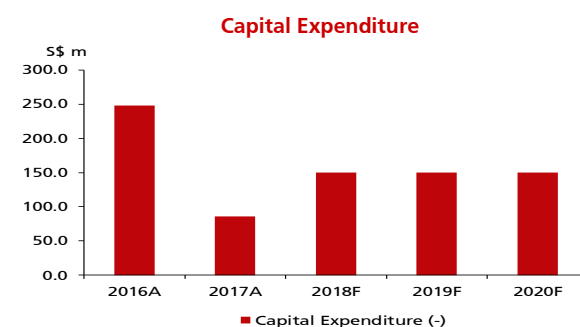
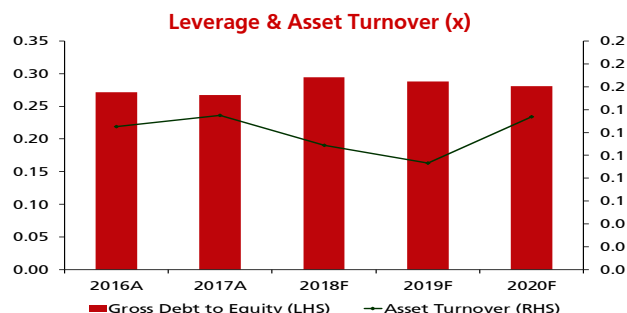
Deep value from its hotel business. We believe that deep value lies in the group's portfolio of well-located hotels and serviced residences in Singapore, Malaysia and Australia. These hotels are held on a historical cost basis, which we believe is conservative compared to potential realisable value.

Key Risks:

Economic slowdown. The downside risk to our projections is if residential sales are slower than projected or if its hotel operations are impacted by slower-than-projected RevPAR performance. The upside risks to our view and target price would be higher-than-expected selling prices or upgrades to the target prices of its listed investment holdings.

Company Background

With a track record of nearly 50 years, UOL Group's impressive list of property development projects includes best-selling residential units, office towers, shopping centres, hotels and serviced suites.



Source: Company, DBS Bank

Income Statement (\$m)

| FY Dec | 2016A | 2017A | 2018F | 2019F | 2020F |
|-----------------------------|------------|--------------|--------------|------------|--------------|
| Revenue | 1,441 | 2,103 | 2,173 | 1,896 | 2,783 |
| Cost of Goods Sold | (956) | (1,403) | (1,161) | (1,021) | (1,623) |
| Gross Profit | 485 | 700 | 1,013 | 875 | 1,161 |
| Other Opng (Exp)/Inc | (222) | (302) | (348) | (303) | (445) |
| Operating Profit | 263 | 398 | 665 | 572 | 715 |
| Other Non Opg (Exp)/Inc | 17.2 | 19.3 | 19.3 | 19.3 | 19.3 |
| Associates & JV Inc | 136 | 119 | 36.7 | 37.2 | 4.49 |
| Net Interest (Exp)/Inc | (24.9) | (26.3) | (107) | (115) | (113) |
| Exceptional Gain/(Loss) | (37.3) | 539 | 0.0 | 0.0 | 0.0 |
| Pre-tax Profit | 354 | 1,049 | 614 | 513 | 626 |
| Tax | (48.3) | (62.0) | (73.7) | (61.6) | (75.1) |
| Minority Interest | (18.6) | (96.0) | (127) | (125) | (136) |
| Preference Dividend | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Profit | 287 | 891 | 414 | 327 | 415 |
| Net Profit before Except. | 324 | 352 | 414 | 327 | 415 |
| EBITDA | 483 | 667 | 852 | 760 | 870 |
| Growth | | | | | |
| Revenue Gth (%) | 12.7 | 46.0 | 3.3 | (12.8) | 46.8 |
| EBITDA Gth (%) | (6.2) | 38.3 | 27.7 | (10.9) | 14.5 |
| Opg Profit Gth (%) | (3.8) | 51.6 | 67.0 | (14.0) | 25.0 |
| Net Profit Gth (Pre-ex) (%) | (5.3) | 8.5 | 17.6 | (21.0) | 26.8 |
| Margins & Ratio | | | | | |
| Gross Margins (%) | 33.7 | 33.3 | 46.6 | 46.2 | 41.7 |
| Opg Profit Margin (%) | 18.2 | 18.9 | 30.6 | 30.2 | 25.7 |
| Net Profit Margin (%) | 19.9 | 42.4 | 19.0 | 17.2 | 14.9 |
| ROAE (%) | 3.6 | 10.1 | 4.3 | 3.3 | 4.1 |
| ROA (%) | 2.5 | 5.7 | 2.1 | 1.6 | 2.0 |
| ROCE (%) | 2.0 | 2.5 | 3.1 | 2.6 | 3.1 |
| Div Payout Ratio (%) | 42.0 | 16.5 | 35.6 | 45.1 | 35.5 |
| Net Interest Cover (x) | 10.6 | 15.2 | 6.2 | 5.0 | 6.3 |

Source: Company, DBS Bank

Quarterly / Interim Income Statement (\$\$m)

| FY Dec | 3Q2017 | 4Q2017 | 1Q2018 | 2Q2018 | 3Q2018 |
|-------------------------|-------------|-------------|-------------|------------|-------------|
| Revenue | 538 | 815 | 661 | 635 | 524 |
| Cost of Goods Sold | (370) | (531) | (428) | (388) | (289) |
| Gross Profit | 168 | 284 | 233 | 247 | 235 |
| Other Oper. (Exp)/Inc | (72.8) | (121) | (91.8) | (90.2) | (85.5) |
| Operating Profit | 95.3 | 163 | 141 | 157 | 150 |
| Other Non Opg (Exp)/Inc | 5.60 | 5.14 | 6.04 | 5.22 | 4.38 |
| Associates & JV Inc | 37.2 | 5.64 | 1.19 | 0.24 | 1.73 |
| Net Interest (Exp)/Inc | (8.6) | (5.0) | (10.2) | (9.7) | (5.7) |
| Exceptional Gain/(Loss) | 527 | (2.2) | 0.03 | 64.4 | 0.0 |
| Pre-tax Profit | 657 | 167 | 139 | 217 | 150 |
| Tax | (17.0) | (23.2) | (27.1) | (24.4) | (20.8) |
| Minority Interest | (21.7) | (55.8) | (37.6) | (60.2) | (36.3) |
| Net Profit | 618 | 87.6 | 73.8 | 133 | 92.8 |
| Net profit bef Except. | 90.9 | 89.9 | 73.8 | 68.3 | 92.8 |
| EBITDA | 175 | 234 | 194 | 196 | 187 |

Growth

| | | | | | |
|-----------------------------|-------|-------|--------|-------|--------|
| Revenue Gth (%) | 34.8 | 51.6 | (18.9) | (3.9) | (17.6) |
| EBITDA Gth (%) | 25.6 | 33.4 | (16.9) | 0.7 | (4.6) |
| Opg Profit Gth (%) | 23.2 | 71.1 | (13.3) | 11.1 | (4.8) |
| Net Profit Gth (Pre-ex) (%) | (1.0) | (1.1) | (17.9) | (7.5) | 36.0 |

Margins

| | | | | | |
|------------------------|-------|------|------|------|------|
| Gross Margins (%) | 31.3 | 34.8 | 35.3 | 38.9 | 44.9 |
| Opg Profit Margins (%) | 17.7 | 20.0 | 21.4 | 24.7 | 28.5 |
| Net Profit Margins (%) | 114.9 | 10.7 | 11.2 | 20.9 | 17.7 |

Balance Sheet (\$\$m)

| FY Dec | 2016A | 2017A | 2018F | 2019F | 2020F |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|
| Net Fixed Assets | 1,166 | 2,856 | 2,875 | 2,894 | 2,912 |
| Invts in Associates & JVs | 3,488 | 286 | 323 | 360 | 365 |
| Other LT Assets | 5,312 | 12,325 | 12,325 | 12,325 | 12,325 |
| Cash & ST Invts | 302 | 816 | 1,328 | 1,453 | 2,536 |
| Inventory | 0.65 | 4.99 | 0.98 | 0.86 | 1.26 |
| Debtors | 99.6 | 395 | 409 | 356 | 523 |
| Other Current Assets | 1,191 | 2,939 | 3,017 | 3,088 | 2,527 |
| Total Assets | 11,558 | 19,623 | 20,278 | 20,478 | 21,190 |
| ST Debt | 728 | 973 | 973 | 973 | 973 |
| Creditor | 203 | 928 | 724 | 632 | 928 |
| Other Current Liab | 51.0 | 110 | 74.3 | 62.2 | 75.7 |
| LT Debt | 1,614 | 2,808 | 3,308 | 3,308 | 3,308 |
| Other LT Liabilities | 326 | 660 | 660 | 660 | 660 |
| Shareholder's Equity | 8,127 | 9,445 | 9,712 | 9,891 | 10,158 |
| Minority Interests | 508 | 4,701 | 4,828 | 4,953 | 5,089 |
| Total Cap. & Liab. | 11,558 | 19,623 | 20,278 | 20,478 | 21,190 |
| Non-Cash Wkg. Capital | 1,038 | 2,301 | 2,628 | 2,751 | 2,048 |
| Net Cash/(Debt) | (2,041) | (2,964) | (2,952) | (2,827) | (1,744) |
| Debtors Turn (avg days) | 37.6 | 42.9 | 67.5 | 73.6 | 57.7 |
| Creditors Turn (avg days) | 90.6 | 162.3 | 292.9 | 278.4 | 190.9 |
| Inventory Turn (avg days) | 0.3 | 0.8 | 1.1 | 0.4 | 0.3 |
| Asset Turnover (x) | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Current Ratio (x) | 1.6 | 2.1 | 2.7 | 2.9 | 2.8 |
| Quick Ratio (x) | 0.4 | 0.6 | 1.0 | 1.1 | 1.5 |
| Net Debt/Equity (X) | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 |
| Net Debt/Equity ex MI (X) | 0.3 | 0.3 | 0.3 | 0.3 | 0.2 |
| Capex to Debt (%) | 10.6 | (2.3) | 3.5 | 3.5 | 3.5 |
| Z-Score (X) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Source: Company, DBS Bank

Cash Flow Statement (\$m)

| FY Dec | 2016A | 2017A | 2018F | 2019F | 2020F |
|-------------------------|--------------|---------------|--------------|--------------|--------------|
| Pre-Tax Profit | 354 | 1,049 | 614 | 513 | 626 |
| Dep. & Amort. | 66.6 | 131 | 131 | 131 | 131 |
| Tax Paid | (33.5) | (50.7) | (109) | (73.7) | (61.6) |
| Assoc. & JV Inc/(loss) | (136) | (119) | (36.7) | (37.2) | (4.5) |
| Chg in Wkg.Cap. | 260 | 480 | (291) | (111) | 690 |
| Other Operating CF | 27.7 | (554) | 0.0 | 0.0 | 0.0 |
| Net Operating CF | 539 | 936 | 308 | 423 | 1,380 |
| Capital Exp.(net) | (248) | 86.1 | (150) | (150) | (150) |
| Other Invt.(net) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Invt in Assoc. & JV | (61.7) | (164) | 0.0 | 0.0 | 0.0 |
| Div from Assoc & JV | 57.4 | 33.0 | 0.0 | 0.0 | 0.0 |
| Other Investing CF | 3.12 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Investing CF | (249) | (45.2) | (150) | (150) | (150) |
| Div Paid | (66.3) | (72.0) | (147) | (147) | (147) |
| Chg in Gross Debt | (105) | (307) | 500 | 0.0 | 0.0 |
| Capital Issues | 1.10 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other Financing CF | (88.2) | 3.28 | 0.0 | 0.0 | 0.0 |
| Net Financing CF | (259) | (376) | 353 | (147) | (147) |
| Currency Adjustments | (5.9) | 0.0 | 0.0 | 0.0 | 0.0 |
| Chg in Cash | 25.1 | 515 | 511 | 126 | 1,083 |
| Opg CFPS (\$ cts) | 34.6 | 54.3 | 71.2 | 63.4 | 82.1 |
| Free CFPS (\$ cts) | 36.1 | 121 | 18.8 | 32.4 | 146 |

Source: Company, DBS Bank

Target Price & Ratings History



| S.No. | Date of Report | Closing Price | 12-mth Target Price | Rating |
|-------|----------------|---------------|---------------------|--------|
| 1: | 15 Dec 17 | 8.54 | 10.15 | BUY |
| 2: | 19 Feb 18 | 8.61 | 10.15 | BUY |
| 3: | 06 Mar 18 | 8.53 | 10.23 | BUY |
| 4: | 19 Mar 18 | 8.69 | 10.23 | BUY |
| 5: | 14 May 18 | 8.61 | 10.23 | BUY |
| 6: | 16 May 18 | 8.35 | 10.23 | BUY |
| 7: | 06 Jul 18 | 6.70 | 10.23 | HOLD |
| 8: | 06 Aug 18 | 7.03 | 7.82 | HOLD |

Note: Share price and Target price are adjusted for corporate actions.

Source: DBS Bank

Analyst: Rachel TAN

Derek TAN

DBS Bank recommendations are based on Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

Completed Date: 10 Dec 2018 17:00:12 (SGT)

Dissemination Date: 10 Dec 2018 17:02:36 (SGT)

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