

Singapore Company Guide

HRnet Group Ltd

Version 4 | Bloomberg: HRNET SP | Reuters: HRNE.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

13 May 2019

HOLD (Downgrade from BUY)

Last Traded Price (10 May 2019): S\$0.77 (STI : 3,273.50)

Price Target 12-mth: S\$0.85 (10% upside) (Prev S\$1.05)

Analyst

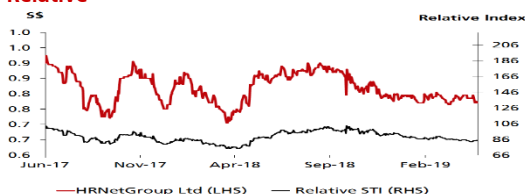
Alfie YEO +65 6682 3717 alfieyeo@db.com

Andy SIM, CFA +65 6682 3718 andysim@db.com

What's New

- Core 1Q19 earnings below estimates as gross profit from Singapore ops drops 13%
- Anticipate downward pressure on earnings on less optimistic outlook
- Cut core FY19-20F earnings by 8-11%
- Downgrade to HOLD, TP lowered to S\$0.85

Price Relative



Forecasts and Valuation

FY Dec (\$m)	2017A	2018A	2019F	2020F
Revenue	392	428	416	442
EBITDA	58.8	67.1	62.5	65.1
Pre-tax Profit	56.9	65.2	70.5	67.6
Net Profit	41.3	48.2	53.6	51.6
Net Pft (Pre Ex.)	44.0	52.6	48.0	51.6
Net Pft Gth (Pre-ex) (%)	7.1	19.5	(8.6)	7.4
EPS (S cts)	4.48	4.77	5.30	5.10
EPS Pre Ex. (S cts)	4.76	5.21	4.75	5.10
EPS Gth Pre Ex (%)	(5)	9	(9)	7
Diluted EPS (S cts)	4.09	4.76	5.29	5.09
Net DPS (S cts)	2.30	2.80	2.78	2.74
BV Per Share (S cts)	30.9	33.1	35.5	37.9
PE (X)	17.2	16.1	14.5	15.1
PE Pre Ex. (X)	16.2	14.8	16.2	15.1
P/Cash Flow (X)	20.2	15.1	10.6	15.5
EV/EBITDA (X)	7.2	7.3	7.5	7.3
Net Div Yield (%)	3.0	3.6	3.6	3.6
P/Book Value (X)	2.5	2.3	2.2	2.0
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	20.9	14.9	15.5	13.9

Earnings Rev (%): (1) (9)
 Consensus EPS (S cts): 5.50 5.90
 Other Broker Recs: B: 4 S: 0 H: 0

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

Singapore ops lead earnings decline

Downgrade to HOLD, TP cut to S\$0.85. We downgrade our recommendation on HRnet to HOLD with a lower TP of S\$0.85. We reduced our core FY19-20F earnings estimates by 11%/8% as we forecast lower earnings in FY19F, largely led by Singapore operations on 1) lower productive headcount (PHC); 2) weaker jobs outlook for professional placements; and 3) less demand from fintech companies in Singapore. Although operations in China and Hong Kong are growing, their contribution is small compared to Singapore, which accounts for half of the Group's gross profits. The headwinds in Singapore will likely be a drag on Group earnings. Peers' forward PE valuations have also de-rated since we initiated coverage. Due to a weaker earnings outlook and a lower valuation peg, we thus turn neutral on the stock.

Where we differ? We anticipate core earnings to decline in FY19F mainly from a weaker outlook for professional placements in Singapore. Job vacancy per unemployed person has historically lagged GDP for services producing industries which have declined since 1Q18, indicating a weaker outlook for Singapore jobs going forward.

Potential catalysts. The Group is currently sitting on c.S\$304m cash (as of 31 Mar 2019), representing c.39% of its market cap. Deployment of funds for inorganic and earnings accretive acquisitions could re-rate the counter.

Valuation:

Our TP is lowered to S\$0.85 as we reduced our earnings projections and valuation peg to 11x (from 15x previously) on ex-cash earnings, which implies 16x FY19F PE.

Key Risks to Our View:

Downturn in economy leading to lower job turnover and opportunities, departure of team(s) of recruitment consultants and/or top management, competition, execution of inorganic growth opportunities particularly integration.

At A Glance

Issued Capital (m shrs)	1,006
Mkt. Cap (S\$m/US\$m)	774 / 568
Major Shareholders (%)	
Simco Global Ltd	74.9
Free Float (%)	25.1
3m Avg. Daily Val (US\$m)	0.21
ICB Industry : Industrials / Support Services	



Live more, Bank less

WHAT'S NEW

1Q19 earnings disappoints

1Q19 earnings disappoints: HRnet posted 1Q19 core earnings of S\$13.7m (-16% y-o-y), which was below our estimate. Headline earnings of S\$19.3m (+18.5% y-o-y) was boosted largely by net revaluation gains on financial assets amounting to S\$5.2m. Net profit declined after taking out the impact of the revaluation gain. Operating profit was down 8.7% y-o-y to S\$18.6m as operating costs increased 3.4% to S\$18.4m. Gross profit declined 2.8% y-o-y (-S\$1m) to S\$35.4m.

Gross profit decline led by flexible staffing on slowdown in Singapore's fintech sector: The drop in gross profit was led by decline in flexible staffing (-4.3% y-o-y to S\$12.2m) and other fee-based services such as our provision of payroll services (-56% y-o-y to S\$0.3m). Hiring from Singapore's fintech sector, which has historically used flexible staffing has slowed. Recent developments in Singapore included Uber consolidating into Grab as well as exits of bike sharing companies such as Ofo, obike, and Mobike. As such, Singapore's gross profit declined by 8.6% y-o-y. This was offset by operations in Hong Kong which grew 89.9% y-o-y.

Gross profit flat for Professional Recruitment Gross profit was largely flat at S\$22.9m for Professional Recruitment segment. Declines in Singapore and Taiwan were offset by an improvement in North Asia. Hong Kong grew 15.5%, Mainland China by 14.4%, Japan 14.1% and Thailand 34.3%. The total number of placements fell 3.3% y-o-y to 1,994.

Decline in productive sales headcount: The proportion of productive sales headcount (PHC) declined sequentially from c.73.8% in 4Q18 to 61.7%. Singapore's PHC proportion declined to 74% (77% in 1Q18 and 92% in 4Q18), while North Asia fell to 57% (68% in 1Q18 and 65% in 4Q18). Singapore's absolute PHC count declined as well. This led to a 13% y-o-y decline in gross profit to S\$18m from Singapore.

Singapore's macro indicators point to a more challenging outlook for jobs: Singapore's job vacancy to unemployed ratio has historically lagged GDP services producing industries. With GDP growth slowing since 1Q18, we expect

job vacancy to unemployed ratio to weaken in the coming quarters as well. As Singapore's gross profit contribution is significant at 51%, a weaker job vacancy to unemployed outlook should put pressure on the Group's earnings growth going forward. In addition to Taiwan's weakness, which is the second highest North Asian market contributor, the drag on growth would be even more severe. Nonetheless, China and Hong Kong are growing, but we believe growth in both markets is insufficient to mitigate the weakness in Singapore.

Cut FY19F/20F core earnings by 11%/8%: We had already taken a more cautious stance on earnings post 4Q18 results. Yet this quarter disappointed further with a 16% y-o-y decline in core net profit. A disappointing 1Q19 implies that subsequent quarters would need to grow much faster to neutralise the 16% y-o-y earnings decline. Job vacancy per unemployed person has historically lagged GDP for services producing industries which has been declining since 1Q18, indicating a weaker outlook for Singapore jobs going forward. Imputing 1Q19's results including new PHC, revenue and cost assumptions at the current run rate, we have lowered our FY19-20F headline earnings by 1-9%. Core earnings for FY19F/FY20F are reduced by 11%/8%.

Downgrade to HOLD, TP lower at S\$0.85. We now anticipate FY19F core earnings to decline, largely led by Singapore on 1) lower productive headcount (PHC); 2) weaker jobs outlook for professional placement; and 3) loss of demand from fintech companies in Singapore. Although China and Hong Kong are growing, their contribution is still small compared to Singapore, which accounts for half of the Group's gross profits. These headwinds in Singapore will likely be a drag on Group earnings.

In addition, we note that peers' forward PE valuations have de-rated from 18-22x to 15-17x currently. In line with lower market valuation, we have reduced our peg from 15x ex-cash PE to 11x. This translates to a forward headline PE of 16x, in line with HRnet's historical average. Based on our new valuation of 11x ex-cash PE, we derive a lower TP of S\$0.85 based on FY19F earnings. With limited upside on the stock, we downgrade our recommendation to HOLD.

Quarterly / Interim Income Statement (\$m)

FY Dec	1Q2018	4Q2018	1Q2019	% chg yoy	% chg qoq
Revenue	107	109	104	(2.8)	(4.2)
Cost of Goods Sold	(70.5)	(68.3)	(68.5)	(2.8)	0.3
Gross Profit	36.4	40.2	35.4	(2.8)	(11.8)
Other Oper. (Exp)/Inc	(17.8)	(25.2)	(18.4)	3.4	(26.9)
Operating Profit	18.6	15.0	17.0	(8.7)	13.3
Other Non Opg (Exp)/Inc	0.82	(0.8)	0.0	nm	nm
Associates & JV Inc	0.0	0.0	0.0	-	-
Net Interest (Exp)/Inc	0.68	1.10	0.94	37.9	(14.5)
Exceptional Gain/(Loss)	0.0	(4.4)	5.59	nm	nm
Pre-tax Profit	20.1	10.9	23.6	16.9	115.6
Tax	(2.9)	(3.3)	(3.4)	17.2	1.9
Minority Interest	(1.0)	(1.3)	(0.9)	10.5	(35.3)
Net Profit	16.3	6.28	19.3	18.5	207.7
Net profit bef Except.	16.3	10.7	13.7	(15.7)	28.7
EBITDA	19.7	14.2	18.7	(4.6)	31.9
Margins (%)					
Gross Margins	34.1	37.0	34.1		
Opg Profit Margins	17.4	13.8	16.4		
Net Profit Margins	15.2	5.8	18.6		

Source of all data: Company, DBS Bank

Peer average has de-rated to 15-17x forward PE vs 18-22x since January 2018

Company	Market Cap (US\$m)	Px Last	PE (Yr 0)	PE (Yr 1)	PE (Yr 2)	Hist. EV/EBITDA (x)	Fwd EV/EBITDA (x)	P/BV (x)	P/Sales (x)	ROE (%)	Operating Margin (%)	Net Margin (%)	Dividend Yield (%)	Net Gearing (x)
Automatic Data Processing Inc	70,085	161.03	37.3x	29.6x	26.5x	21.1x	18.8x	13.4x	5.0x	34%	16.5%	12.2%	2.0%	cash
Recruit Holdings Co Ltd	50,691	3,286	36.9x	33.6x	29.6x	20.8x	16.2x	5.9x	2.4x	18%	8.8%	7.0%	0.8%	cash
Adecco Group AG	9,272	56.50	13.0x	13.1x	12.4x	8.1x	7.8x	2.2x	0.3x	13%	2.8%	1.9%	4.4%	0.32
Randstad NV	10,104	49.07	11.1x	11.5x	11.3x	8.3x	8.2x	2.3x	0.4x	16%	3.4%	2.9%	6.9%	0.37
ManpowerGroup Inc	5,584	93.35	10.8x	11.9x	11.0x	6.7x	7.3x	2.2x	0.3x	21%	3.6%	2.5%	2.3%	0.21
Robert Half International Inc	6,841	57.70	16.3x	14.6x	13.6x	10.1x	9.4x	6.3x	1.2x	41%	10.1%	7.6%	2.1%	cash
Persol Holdings Co Ltd	4,315	2,004	24.5x	19.2x	16.6x	10.5x	7.8x	3.1x	0.5x	5%	3.0%	1.1%	1.0%	0.21
Hays PLC	2,791	147.20	13.2x	12.7x	11.9x	7.8x	7.5x	3.4x	0.4x	24%	4.2%	2.9%	2.6%	cash
ASGN Inc	3,131	59.29	13.5x	12.7x	11.7x	11.4x	9.0x	2.6x	0.9x	13%	7.7%	4.6%	na	0.90
AMN Healthcare Services Inc	2,429	52.11	15.9x	17.8x	15.4x	11.7x	10.7x	3.7x	1.1x	22%	9.5%	6.6%	na	0.67
Korn Ferry	2,607	46.20	17.4x	13.8x	12.8x	8.8x	NULL	2.2x	1.3x	11%	11.2%	8.0%	0.9%	cash
Pagegroup PLC	2,231	522.50	16.3x	14.3x	12.8x	10.0x	8.7x	5.4x	1.1x	33%	9.2%	6.7%	2.5%	cash
TechnoPro Holdings Inc	2,028	6,140.00	26.0x	23.4x	19.9x	18.2x	12.6x	5.3x	1.7x	20%	9.6%	7.3%	2.0%	cash
En-Japan Inc	1,479	3,270	23.0x	18.2x	15.2x	12.5x	8.4x	4.5x	3.5x	22%	22.7%	15.6%	1.4%	cash
Kelly Services Inc	974	25.09	11.3x	10.1x	9.0x	8.3x	7.1x	0.8x	0.2x	2%	1.6%	0.4%	1.2%	cash
Kforce Inc	896	35.26	15.9x	14.8x	12.7x	10.8x	10.5x	5.1x	0.6x	34%	5.8%	4.1%	2.0%	0.43
Heidrick & Struggles International Inc	668	34.95	15.1x	13.6x	13.2x	4.8x	6.2x	2.4x	0.9x	18%	9.4%	6.7%	1.7%	cash
Average (ex-outliers)			18.7x	16.8x	15.0x	11.2x	9.7x	4.2x	1.3x					

Source: ThomsonReuters, DBS Bank

CRITICAL DATA POINTS TO WATCH

Critical Factors

Recruitment business – professional recruitment and flexible staffing. HRnetGroup is engaged in two main segments of the recruitment market, namely Professional Recruitment and Flexible Staffing. Both segments are generally dependent on the overall economic and labour market health.

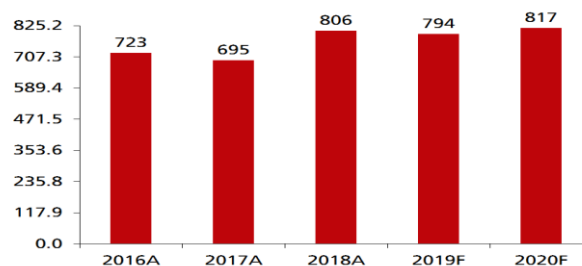
The **Professional Recruitment** business involves the permanent placement of positions for corporate clients. The recruitment consultants will need to have an in-depth understanding of the client's industry and specialisation, as well as the talent landscape to identify suitable candidates, and to facilitate the needs of the client. The Group has on average closed over 9,000 placements a year, with FY18 seeing 9,448.

On the other hand, the **Flexible Staffing** business involves staffing solutions for corporate clients seeking variability in operating costs and talent deployment. For workers, this business solution satisfies candidates seeking less-formal contracts, and temporary and part-time employment. Overall, the Group has on average about 12,000 contractor employees, up from 11,500 in 4Q17.

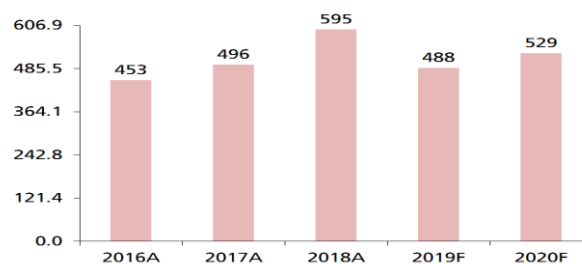
Sales and productive headcount. Being a recruitment agency, manpower is the largest cost, as well as asset. The business relies on sales consultants for the service of both segments. Sales headcount in 1Q19 stood at 770, down from 806 as at 31 Dec 2018, but up from 695 as at end-FY17. The Group manages the business profitability via the measure of Productive Headcount (PHC), which refers to sales personnel who achieves gross profit of at least 3x their fixed salary. As such, the proportion of PHC/Headcount, gross profit per PHC and number of PHC are key drivers/factors for management to manage costs.

Business expectations, GDP and labour market. The Group's business activities depend on the overall economic health of the market it operates in, business expectations and the availability and "churn-rate" of labour. As such, Singapore's GDP growth, business expectations, and recruitment/resignation rates in the various markets are important factors to track. Job vacancy to unemployed tends to lag GDP services producing industries. With GDP growth slowing from 1Q18, we expect job vacancy to unemployed to weaken in the coming quarters as well. As Singapore's gross profit contribution is significant at 51%, a weaker job vacancy to unemployed outlook should put pressure on earnings growth going forward.

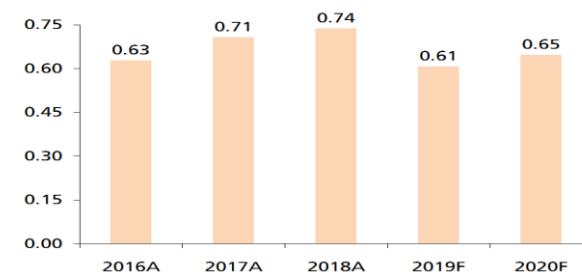
Sales Headcount (HC) (#)



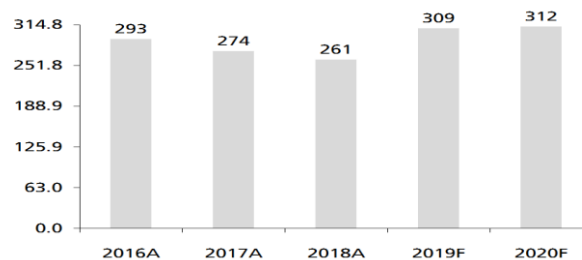
Productive Headcount (PHC) (#)



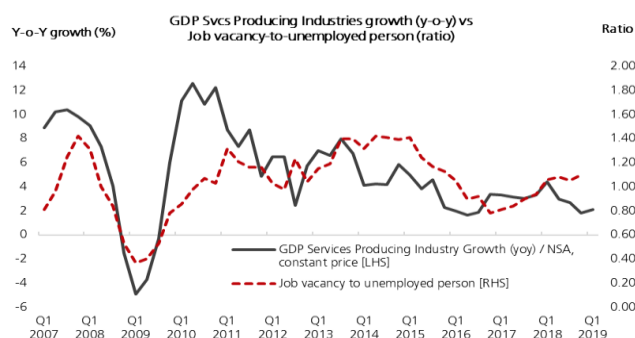
PHC/HC



Gross profit/ PHC (\$'000's/ yr)



GDP Services Producing Industries growth vs Job Vacancy-to-unemployed



Source: Company, DBS Bank

Balance Sheet:

Net cash position and strong operating cashflow. Operations are cashflow generative with operating cashflows of c.S\$35-53m p.a. from FY14-18. We expect the Group to remain in a strong net cash position in FY19F given its cash-generative business. Operating cash flow is projected to be higher at c.S\$70m in FY19F from S\$51.6m in FY18. As at 31 Mar 2019, the Group's cash position stood at a healthy S\$304m.

Share Price Drivers:

Macro-economic indicators. Economic growth, business expectations and labour market conditions are overall factors impacting the industry and the company's performance. A robust and active employment market bodes well for the Group on the back of more business opportunities.

Gross profit per employee. At the operating level, the ability to drive better gross profit per employee will have a positive impact on the Group, all else constant. The ability to spot and leverage on matching opportunities between candidates and companies will aid overall performance and lead to better operating results.

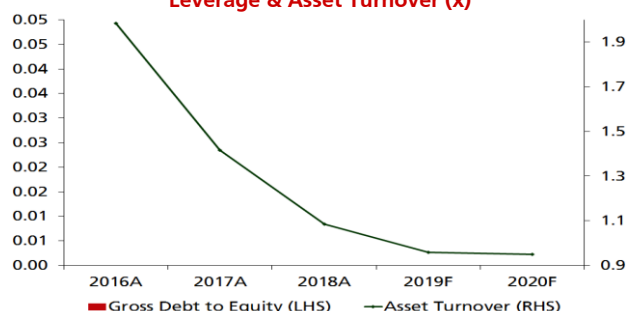
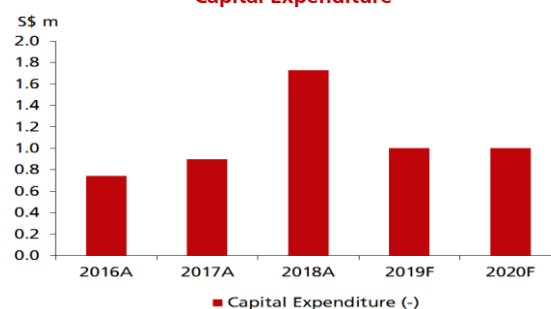
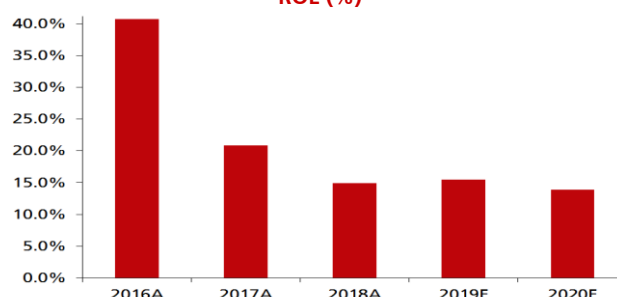
Acquisitions. As mentioned above, the Group has cash of S\$304m (as of 31 Mar 2019), accounting for c.39% of its market cap. Deployment of this fund for acquisitions that leads to a stronger growth profile would be a catalyst for the counter.

Key Risks:

Downturn in economy leading to lower job turnover and opportunities, departure of team(s) of recruitment consultants and/or top management, competition, execution of inorganic growth opportunities particularly integration.

Company Background

HRnetGroup is the largest recruitment agency in the Asia Pacific (excluding Japan), according to Frost & Sullivan. As at 31 Dec 2018, the Group had **905 permanent employees**, operating in **13 Asian growth cities**, with its headquarters in Singapore. It has two operating segments, namely Professional Recruitment and Flexible Staffing.

Leverage & Asset Turnover (x)**Capital Expenditure****ROE (%)****Forward PE Band (x)****PB Band (x)**

Source: Company, DBS Bank

Key Assumptions

FY Dec	2016A	2017A	2018A	2019F	2020F
Sales Headcount (HC) (#)	723	695	806	794	817
Productive Headcount	453	496	595	488	529
PHC/HC	0.63	0.71	0.74	0.62	0.65
Gross profit/ PHC	293	274	261	309	312

Segmental Breakdown

FY Dec	2016A	2017A	2018A	2019F	2020F
Revenues (\$\$m)					
Professional recruitment	87.5	86.7	103	102	110
Flexible staffing	274	302	322	311	328
Others	3.09	3.30	2.94	2.66	3.68
Total	365	392	428	416	442
Gross profit (\$\$m)					
Professional recruitment	87.3	86.4	103	102	110
Flexible staffing	42.7	46.6	50.1	48.0	52.4
Others	2.78	3.03	2.28	1.40	2.87
Total	133	136	155	151	165
Gross profit Margins (%)					
Professional recruitment	99.8	99.7	99.6	99.7	99.6
Flexible staffing	15.5	15.4	15.5	15.4	15.9
Others	89.8	91.9	77.6	52.7	78.0
Total	36.4	34.7	36.2	36.3	37.3

Income Statement (\$\$m)

FY Dec	2016A	2017A	2018A	2019F	2020F
Revenue	365	392	428	416	442
Cost of Goods Sold	(232)	(256)	(273)	(265)	(277)
Gross Profit	133	136	155	151	165
Other Opng (Exp)/Inc	(74.0)	(79.0)	(89.2)	(89.9)	(101)
Operating Profit	58.8	57.0	66.1	61.2	63.6
Other Non Opg (Exp)/Inc	0.0	1.04	0.0	0.0	0.0
Associates & JV Inc	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	0.56	1.56	3.46	3.76	4.01
Exceptional Gain/(Loss)	0.0	(2.7)	(4.4)	5.59	0.0
Pre-tax Profit	59.3	56.9	65.2	70.5	67.6
Tax	(10.9)	(10.5)	(12.7)	(14.2)	(12.2)
Minority Interest	(7.3)	(5.1)	(4.2)	(2.7)	(3.9)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	41.1	41.3	48.2	53.6	51.6
Net Profit before Except.	41.1	44.0	52.6	48.0	51.6
EBITDA	59.5	58.8	67.1	62.5	65.1
Growth					
Revenue Gth (%)	2.5	7.4	9.3	(3.0)	6.4
EBITDA Gth (%)	12.9	(1.2)	14.0	(6.8)	4.1
Opg Profit Gth (%)	16.4	(3.1)	16.0	(7.5)	4.0
Net Profit Gth (Pre-ex) (%)	7.6	7.1	19.5	(8.6)	7.4
Margins & Ratio					
Gross Margins (%)	36.4	34.7	36.2	36.3	37.3
Opg Profit Margin (%)	16.1	14.5	15.4	14.7	14.4
Net Profit Margin (%)	11.3	10.5	11.2	12.9	11.7
ROAE (%)	40.8	20.9	14.9	15.5	13.9
ROA (%)	22.3	14.9	12.2	12.4	11.1
ROCE (%)	35.7	21.8	16.6	14.1	14.0
Div Payout Ratio (%)	232.3	56.3	58.5	52.5	53.8
Net Interest Cover (x)	NM	NM	NM	NM	NM

Source: Company, DBS Bank

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

FY Dec	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019
Revenue	107	108	105	109	104
Cost of Goods Sold	(70.5)	(69.2)	(65.1)	(68.3)	(68.5)
Gross Profit	36.4	38.8	39.9	40.2	35.4
Other Oper. (Exp)/Inc	(17.8)	(22.4)	(23.9)	(25.2)	(18.4)
Operating Profit	18.6	16.4	16.0	15.0	17.0
Other Non Opg (Exp)/Inc	0.82	0.0	0.0	(0.8)	0.0
Associates & JV Inc	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	0.68	0.77	0.91	1.10	0.94
Exceptional Gain/(Loss)	0.0	0.0	0.0	(4.4)	5.59
Pre-tax Profit	20.1	17.2	16.9	10.9	23.6
Tax	(2.9)	(3.3)	(3.2)	(3.3)	(3.4)
Minority Interest	(1.0)	(0.9)	(1.1)	(1.3)	(0.9)
Net Profit	16.3	13.0	12.6	6.28	19.3
Net profit bef Except.	16.3	13.0	12.6	10.7	13.7
EBITDA	19.7	16.6	16.3	14.2	18.7

Growth

Revenue Gth (%)	5.2	1.0	(2.8)	3.3	(4.2)
EBITDA Gth (%)	24.0	(15.3)	(2.4)	(12.6)	31.9
Opg Profit Gth (%)	27.7	(11.8)	(2.7)	(6.0)	13.3
Net Profit Gth (Pre-ex) (%)	34.1	(20.1)	(3.2)	(15.3)	28.7

Margins

Gross Margins (%)	34.1	35.9	38.0	37.0	34.1
Opg Profit Margins (%)	17.4	15.2	15.2	13.8	16.4
Net Profit Margins (%)	15.2	12.0	12.0	5.8	18.6

Balance Sheet (\$\$m)

FY Dec	2016A	2017A	2018A	2019F	2020F
Net Fixed Assets	0.73	0.79	1.56	1.17	0.69
Invts in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other LT Assets	0.81	1.49	28.7	48.7	68.7
Cash & ST Invts	107	295	298	322	324
Inventory	0.0	0.0	0.0	0.0	0.0
Debtors	65.8	74.6	81.3	75.6	80.4
Other Current Assets	4.19	3.99	5.90	4.50	4.50
Total Assets	178	375	415	452	478
ST Debt	0.0	0.0	0.0	0.0	0.0
Creditor	5.70	6.15	6.49	6.12	6.42
Other Current Liab	75.3	48.5	54.8	64.0	62.0
LT Debt	0.0	0.0	0.0	0.0	0.0
Other LT Liabilities	0.01	0.0	9.20	9.20	9.20
Shareholder's Equity	83.9	312	333	359	383
Minority Interests	13.3	8.28	11.5	14.1	18.0
Total Cap. & Liab.	178	375	415	452	478
Non-Cash Wkg. Capital	(11.0)	23.9	25.9	9.94	16.5
Net Cash/(Debt)	107	295	298	322	324
Debtors Turn (avg days)	63.4	65.4	66.4	68.9	64.4
Creditors Turn (avg days)	8.6	8.5	8.5	8.7	8.3
Inventory Turn (avg days)	N/A	N/A	N/A	N/A	N/A
Asset Turnover (x)	2.0	1.4	1.1	1.0	1.0
Current Ratio (x)	2.2	6.8	6.3	5.7	6.0
Quick Ratio (x)	2.1	6.7	6.2	5.7	5.9
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	N/A	N/A	N/A	N/A	N/A
Z-Score (X)	9.6	8.8	8.8	8.8	8.8

Source: Company, DBS Bank

Cash Flow Statement (\$m)

FY Dec	2016A	2017A	2018A	2019F	2020F
Pre-Tax Profit	59.3	56.9	65.2	70.5	67.6
Dep. & Amort.	0.82	0.82	0.98	1.39	1.48
Tax Paid	(4.8)	(14.1)	(11.2)	(10.7)	(14.2)
Assoc. & JV Inc/(loss)	0.0	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	(2.2)	(8.7)	(8.8)	12.4	(4.6)
Other Operating CF	0.42	0.33	5.42	0.0	0.0
Net Operating CF	53.4	35.2	51.6	73.6	50.4
Capital Exp.(net)	(0.7)	(0.9)	(1.7)	(1.0)	(1.0)
Other Invt.(net)	0.0	0.0	0.0	(20.0)	(20.0)
Invt in Assoc. & JV	0.0	0.0	0.0	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0	0.0
Other Investing CF	1.58	(3.9)	(25.6)	0.0	0.0
Net Investing CF	0.83	(4.8)	(27.4)	(21.0)	(21.0)
Div Paid	(84.8)	(22.1)	(23.5)	(28.1)	(27.7)
Chg in Gross Debt	0.0	0.0	0.0	0.0	0.0
Capital Issues	15.0	176	(6.6)	0.0	0.0
Other Financing CF	0.36	(0.6)	(1.1)	0.0	0.0
Net Financing CF	(69.5)	153	(31.2)	(28.1)	(27.7)
Currency Adjustments	0.51	(0.9)	(0.3)	0.0	0.0
Chg in Cash	(14.7)	183	(7.3)	24.5	1.63
Opg CFPS (S cts)	6.81	4.76	5.98	6.05	5.43
Free CFPS (S cts)	6.44	3.72	4.94	7.18	4.88

Source: Company, DBS Bank

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	13 Aug 18	0.89	1.01	BUY
2:	09 Nov 18	0.82	1.10	BUY
3:	25 Feb 19	0.80	1.05	BUY
4:	15 Mar 19	0.79	1.05	BUY

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

Source: DBS Bank

Analyst: Alfie YEO

Andy SIM, CFA

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: 13 May 2019 11:38:08 (SGT)

Dissemination Date: 13 May 2019 12:11:00 (SGT)

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DBS Regional Research Offices

HONG KONG

DBS (Hong Kong) Ltd

Contact: Carol Wu
13th Floor One Island East,
18 Westlands Road,
Quarry Bay, Hong Kong
Tel: 852 3668 4181
Fax: 852 2521 1812
e-mail: dbsvhk@dbs.com

THAILAND

DBS Vickers Securities (Thailand) Co Ltd

Contact: Chanpen Sirithanarattanakul
989 Siam Piwat Tower Building,
9th, 14th-15th Floor
Rama 1 Road, Pathumwan,
Bangkok Thailand 10330
Tel. 66 2 857 7831
Fax: 66 2 658 1269
e-mail: research@th.dbs.com
Company Regn. No 0105539127012
Securities and Exchange Commission, Thailand

MALAYSIA

AllianceDBS Research Sdn Bhd

Contact: Wong Ming Tek (128540 U)
19th Floor, Menara Multi-Purpose,
Capital Square,
8 Jalan Munshi Abdullah 50100
Kuala Lumpur, Malaysia.
Tel.: 603 2604 3333
Fax: 603 2604 3921
e-mail: general@alliancedbs.com

INDONESIA

PT DBS Vickers Sekuritas (Indonesia)

Contact: Maynard Priajaya Arif
DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia
Tel: 62 21 3003 4900
Fax: 6221 3003 4943
e-mail: research@id.dbsvickers.com

SINGAPORE

DBS Bank Ltd

Contact: Janice Chua
12 Marina Boulevard,
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: 65 6878 8888
Fax: 65 65353 418
e-mail: equityresearch@dbs.com
Company Regn. No. 196800306E