

Singapore Company Guide

Riverstone Holdings

Version15 | Bloomberg: RSTON SP | Reuters: RVHL.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

13 Aug 2019

BUY (Upgrade from HOLD)

Last Traded Price (8 Aug 2019): S\$0.90 (STI : 3,168.94)

Price Target 12-mth: S\$1.16 (29% upside) (Prev S\$1.03)

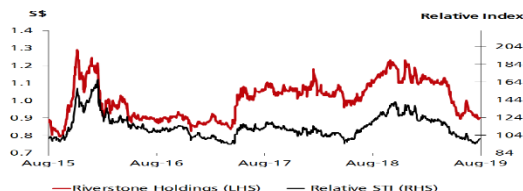
Analyst

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What's New

- Upgrade to BUY on improving product mix, stabilising raw material prices and attractive valuations
- Raised earnings estimates by 7% for FY19F and FY20F; TP increased to S\$1.16
- Beneficiary of a strengthening USD vs MYR
- 2Q19 met estimates; steady improvement in GP margin

Price Relative



Forecasts and Valuation

FY Dec (RMm)	2017A	2018A	2019F	2020F
Revenue	817	921	1,015	1,102
EBITDA	186	193	211	235
Pre-tax Profit	151	151	160	173
Net Profit	129	130	137	149
Net Pft (Pre Ex.)	129	130	137	149
Net Pft Gth (Pre-ex) (%)	7.4	0.3	5.7	8.5
EPS (S cts)	5.75	5.77	6.10	6.61
EPS Pre Ex. (S cts)	5.75	5.77	6.10	6.61
EPS Gth Pre Ex (%)	7	0	6	8
Diluted EPS (S cts)	5.75	5.77	6.10	6.61
Net DPS (S cts)	2.31	2.23	2.44	2.64
BV Per Share (S cts)	28.2	31.5	35.2	39.1
PE (X)	15.7	15.6	14.8	13.6
PE Pre Ex. (X)	15.7	15.6	14.8	13.6
P/Cash Flow (X)	13.9	12.1	18.9	10.5
EV/EBITDA (X)	10.4	10.1	9.4	8.4
Net Div Yield (%)	2.6	2.5	2.7	2.9
38.3P/Book Value (X)	3.2	2.9	2.6	2.3
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	21.8	19.3	18.3	17.8
Earnings Rev (%)			7	7
Consensus EPS (S cts):			4.82	5.18
Other Broker Recs:		B: 1	S: 0	H: 2

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

Improving margins and valuations

Upgrade to BUY on improving product mix, stabilising raw material prices and attractive valuations. We upgrade Riverstone (RSTON) to BUY on increasing demand for its high-margin cleanroom (CR) gloves, which account for 70% to 80% of the group's earnings. Butadiene prices, the key raw material for nitrile glove, are stabilising after a steep decline in 2H 2018, which is the most ideal environment for RSTON. At current price-to-earnings (PE) of 14.8x and 13.6x on FY19F and FY20F earnings respectively, RSTON is trading at its historical low forward PE, which is about -2SD (standard deviation).

Compared to its peers, it is trading at about 30% discount. This is unjustifiable, in our view, given the expected shift towards higher-margin CR and a stabilising raw material environment. RSTON is also a beneficiary of the strengthening US Dollar (USD) vs Malaysian Ringgit (MYR).

We see value in RSTON's hard-to-replicate cleanroom business that sets it apart from its competitors. Glove makers are generally regarded as defensive and relatively more stable given their resilient demand.

Where we differ: We are optimistic that RSTON can continue to shift its production towards the higher margin CR gloves.

Potential catalysts: Further capacity expansion, sustained increase in CR glove mix (and thus margins) and inorganic growth are potential catalysts.

Valuation:

Upgrade to BUY; raised earnings and TP. We have raised our earnings forecast up by 7% on higher gross profit margin assumption of 20% (vs 19% previously) for both FY19F and FY20F. Upgrade to BUY with a higher target price (TP) of S\$1.16, based on 20% discount to peers (17.4x) and rolling over to FY20F earnings.

Key Risks to Our View:

Global economic slowdown. While margins for CR gloves are higher, demand for these gloves could be threatened by a global economic slowdown.

At A Glance

Issued Capital (m shrs)	741
Mkt. Cap (S\$m/US\$m)	667 / 481
Major Shareholders (%)	
Ringlet Investment Ltd	50.8
Lee Wai Keong	10.9
Free Float (%)	38.3
Avg. Daily Val (US\$m)	0.14
ICB Industry : Health Care / Health Care Equipment & Services	



Live more, Bank less

WHAT'S NEW

Cleanroom gloves to drive future growth

Upgrade Riverstone to BUY on three key points:

1) Increasing demand for high-margin cleanroom gloves

Cleanroom (CR) gloves account for about 15% of RSTON's total units produced, with healthcare (HC) gloves forming the bulk of the balance 85%. Given the higher average selling price (ASP) for CR, the revenue split for CR / HC is 53% / 47%. CR commands a much higher margin given its stringent qualifying requirements. CR accounted for 75% RSTON's earnings in the last quarter (vs 25% by HC).

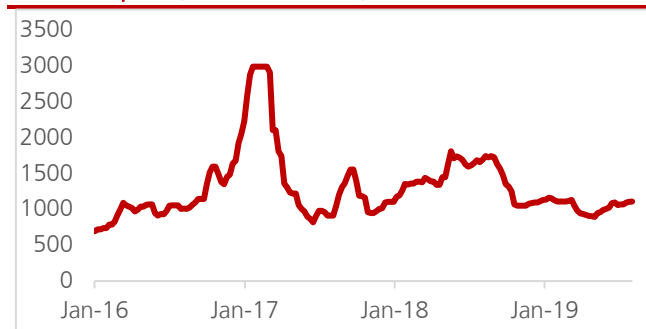
Since June 2019, RSTON has seen a pick-up in CR demand. This trend is expected to continue in 2H19. Demand for CR has grown by about 15% to 20% compared to last year, from countries including Japan, Philippines and Vietnam.

2) Raw material prices stabilising

Butadiene prices are stabilising, which is the most ideal environment for RSTON. Butadiene prices have been fluctuating within a narrower band of between US\$900/metric tonne to US\$1200/metric tonne YTD, since prices plunged 40% in 2H18 mainly due to the US-China trade tensions. High raw material prices affect ASP, especially for the HC glove segment as most of the cost savings are passed on to customers.

On the inventory front, lower raw material prices would allow the group to lock in more inventory at a lower cost, though there would still be a one- to two-month lag before the old stock is cleared. A more stable butadiene price is the most ideal environment for the group, allowing a more manageable inventory environment.

Butadiene price (US\$/metric tonne)



Source: Bloomberg Finance L.P., DBS Bank

3) Trading at historical low PE and at steep discount to peers

At current PE of 14.8x and 13.6x on FY19F and FY20F earnings respectively, RSTON is trading at its historical low forward PE, which is at about -2SD. Compared to its peers, it is trading at about 30% discount. This is unjustifiable, given the expected

shift towards higher-margin CR and a stabilising raw material environment.

(Refer to peer comparison tables on page 4 and page 5)

Riverstone: Forward PE



Source: Bloomberg Finance L.P., DBS Bank

Forex Exposure

Beneficiary of a strengthening USD

The bulk of RSTON's sales are denominated in USD while costs are mainly in MYR. A strengthening USD/MYR is beneficial to the group, though the impact is not fully reflected in the earnings. Foreign exchange (forex) movements are partially captured in the pricing formula during regular (monthly/quarterly) price negotiations with customers. There would usually be a one-month lag before the impact can be felt.

The USD has strengthened against the MYR from about 4.11 in mid-July 2019 to about 4.18 currently. DBS Group Research expects the USD to further strengthen against the MYR to 4.25 in 3Q19 and ease gradually to 4.23 in 4Q19 and 4.15 in 4Q20.

Competitive Landscape

Demand and supply dynamics

Malaysian Rubber Glove Manufacturers Association (MARGMA) expects an annual demand growth of about 12% to 300bn gloves in 2019. We project a ramp-up in RSTON's glove production at a 17.5% compound annual growth rate (CAGR) in FY17-19F. Other key players including Top Glove, Hartalega and Kossan Rubber are also expected to increase capacity by about 10% p.a.

We believe RSTON should emerge as a stronger player, especially with the shift in demand to nitrile gloves from latex gloves due to the rising awareness about latex allergies. Nitrile gloves are also more puncture resistant, provide stronger

protection and offers greater chemical resistance than regular latex gloves. Nitrile gloves have lower resistance to friction, making them easier to wear and discard.

RSTON could be a beneficiary of the long-run substitution from rubber gloves and PVC gloves (especially in the cleanroom segment) to nitrile gloves as the company is principally engaged in the production of the latter.

Diversified customer base

Glove makers are generally regarded as defensive and relatively more stable given their resilient demand and cost pass-through mechanism, especially for healthcare gloves. A diversified global customer base also reduces their exposure to a single geographical region. About 30% of healthcare glove customers are from Europe, US (30%) and Asia (40%). Cleanroom glove customers are mainly from the Asia Pacific region, especially the electronics and telecommunication sectors.

Competition from new players

In Malaysia alone, there are about 40 glove manufacturers. Coupled with new players from other regions including China, competition is keen in this space. Chinese players are also more competitive in terms of pricing but Malaysia has an advantage over China in terms of climate.

Our channel check indicates that some demand has shifted back to Malaysia in recent months as raw material prices stabilised.

Expansion plans on track, demand strong. RSTON will add an additional capacity of up to 1.4 billion pieces of gloves by the end of 2019 / 1Q2020 with Phase 6 of its expansion plan. This will bring the group's total annual production capacity up to 10.4 billion pieces of gloves. Utilisation rate remains high at >90%, despite the capacity expansion. Despite rising competition, demand for the group's products remains robust. RSTON has secured more orders from existing and new customers, including glove distributors switching to RSTON due to its improving product range.

New products and improving efficiency

RSTON has a few new products in the pipeline, including one that expects to meet double glove requirements in some sectors like healthcare. Different materials and processes are needed for the two gloves to be worn together. The group's research and development (R&D) team are developing new products to venture into new product segments, diversify its business and improve profit margins.

With a competitive landscape, RSTON will continue to adopt automation within its operations to raise productivity and ensure earnings resiliency.

2Q19 Results Review

2Q19 results in line. Revenue was up 11.9% y-o-y to RM239.7m, driven by an uptick in demand for both its premium cleanroom and specialty healthcare gloves. However, net earnings eased 3% y-o-y to RM32.5m on the back of lower ASP and higher costs. Overall, 2Q19 revenue and net earnings accounted for 24% and 25% of our forecasts, within our expectations. An interim dividend per share (DPS) of 1.55sen was declared.

Steady improvement in GP margin. Though on a y-o-y basis the group's gross profit margin contracted 2.4 percentage points to 20.1%, it improved compared to the previous two quarters. The lower margins (y-o-y) were due to lower ASP for healthcare gloves and changes in product mix. Apart from intensifying competition, the ASP of gloves was revised downward due to macroeconomic variables such as lower raw material prices as the group adopts a cost-plus pricing model.

On a q-o-q basis, GP margin has improved steadily since 4Q18, expanding 0.5 percentage points to 19.4% in 1Q18 and 0.7 percentage points to 20.1% in 2Q19.

Strong balance sheet. RSTON's core business continued to generate strong positive operating cash flows of RM22.3m in 2Q19, bolstering its balance sheet strength to a net cash position of RM76.4m.

Raised earnings estimates by 7% for FY19F and FY20F; TP increased to S\$1.16. We have raised our earnings forecast up by 7% on higher gross profit margin assumption of 20% (vs 19% previously) for both FY19F and FY20F. Upgrade to BUY with a higher TP of S\$1.16 (prev S\$1.03) still based on 20% discount to peers (17.4x) and rolling over to FY20F earnings.

Peer Comparison - Key Statistics

Name	Price (RM)	Mkt Cap (US\$m)	FY	Revenue (RM)	Net Profit (RM)	Hist PE (x)	Curr Yr PE (x)	Next Yr PE (x)	P/B (x)	ROE (%)	Gr Mgn (%)	Op Mgn (%)	Net Mgn (%)	Div Yld (%)
RIVERSTONE	S\$0.92	S\$678.1	12/2018	921.0	129.7	16.0	19.0	17.7	2.78	18.4	20.6	16.5	14.1	2.02
HARTALEGA	4.94	16,553.7	03/2019	2,827.2	455.2	38.7	32.9	29.4	7.19	19.5	25.0	19.9	16.1	1.82
KOSSAN RUBBER	4.10	5,243.6	12/2018	2,140.6	199.8	24.5	21.9	19.4	3.92	16.9	42.9	12.3	9.3	1.83
TOP GLOVE	4.58	11,723.9	08/2018	4,214.5	434.2	29.8	28.4	24.1	4.76	16.6	20.1	12.5	10.3	1.81
SUPERMAX	1.58	2,064.0	06/2018	1,304.5	106.7	17.5	15.6	13.9	1.90	10.9	33.7	11.6	8.2	2.89
Average (ex Riverstone)						27.6	24.7	21.7	4.4	16.0	30.4	14.1	11.0	2.1

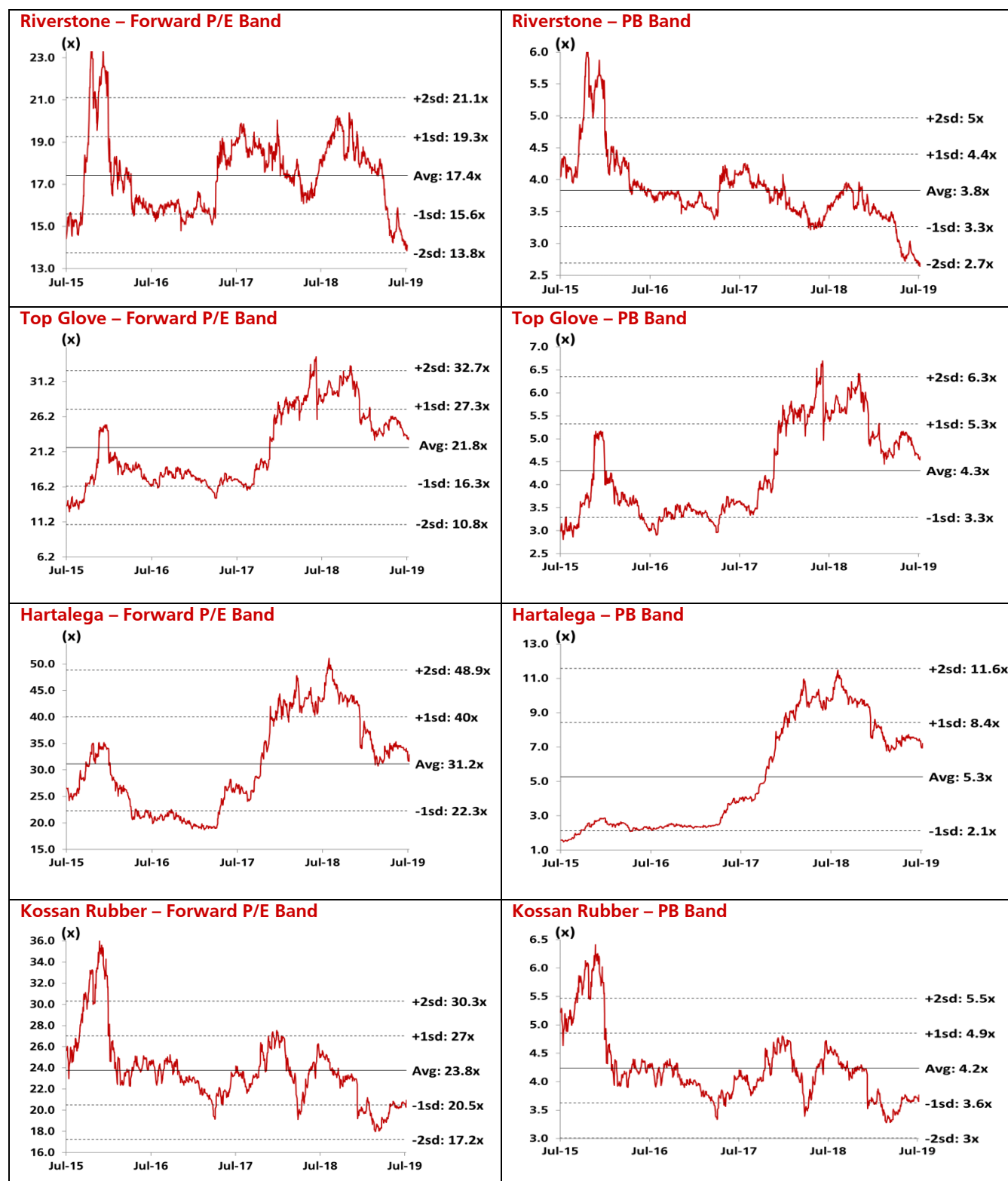
Source: Bloomberg Finance L.P., DBS Bank

Peer Comparison – Types of Products and Capacity Expansion Plans

Company	Product mix (volume)	Product Segment	Capacity (bn) end 19 / 1Q 20	Expansion Plan
Riverstone	>90% nitrile	Volume: HC 80%; CR 20% Revenue: HC 50%; CR 50% Earnings: HC 30%; CR 70%	10.4	Add 1.0bn to 1.5bn pieces p.a.
Top Glove	36% nitrile, 51% rubber, 11% vinyl/TPE/CPE, 2% surgical	Volume: rubber 51%, nitrile 36%, vinyl/TPE/CPE 11%, surgical 2% Revenue: rubber 45%, nitrile 40%, vinyl/TPE/CPE 6%, surgical 9%	67.1	Add 6.6b pieces p.a. in 2019 and 2020 respectively
Hartalega	95% nitrile, 5% rubber	Volume: rubber 5%, nitrile 95% Revenue: rubber 5%, nitrile 95%	35	Expected increase to 44b pieces p.a. in 2020-21
Kossan Rubber	70-80% nitrile, 20-30% rubber	Revenue: TRP 9%, gloves 88%, cleanroom 3% Earnings: TRP 11%, gloves 91%, cleanroom 1%	32	Add 5.5b pieces in 2019; Expected c.45bn pieces p.a. in 8 years' from new land bought in Perak

Source: Company; DBS Bank

Peers Comparison – P/E and P/BV charts



Source of all data: Company, DBS Bank

Quarterly / Interim Income Statement (RMm)

FY Dec	2Q2018	1Q2019	2Q2019	% chg yoy	% chg qoq
Revenue	214	241	240	11.9	(0.3)
Cost of Goods Sold	(166)	(194)	(191)	15.4	(1.3)
Gross Profit	48.3	46.6	48.3	0.0	3.6
Other Oper. (Exp)/Inc	(8.8)	(10.8)	(9.5)	8.4	(12.1)
Operating Profit	39.5	35.8	38.8	(1.9)	8.3
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	-	-
Associates & JV Inc	0.0	0.0	0.0	-	-
Net Interest (Exp)/Inc	(0.2)	(0.2)	(0.2)	27.6	9.6
Exceptional Gain/(Loss)	0.0	0.0	0.0	-	-
Pre-tax Profit	39.3	35.6	38.6	(1.7)	8.4
Tax	(5.7)	(5.4)	(6.1)	6.6	12.8
Minority Interest	0.0	0.0	0.0	-	-
Net Profit	33.6	30.2	32.5	(3.1)	7.6
Net profit bef Except.	33.6	30.2	32.5	(3.1)	7.6
EBITDA	49.7	47.4	50.5	1.7	6.5
Margins (%)					
Gross Margins	22.5	19.4	20.1		
Opg Profit Margins	18.4	14.9	16.2		
Net Profit Margins	15.7	12.6	13.6		

Source of all data: Company, DBS Bank

CRITICAL DATA POINTS TO WATCH

Critical Factors

Growth in global demand for gloves; beneficiary of shift in demand to nitrile gloves. MARGMA expects an annual demand growth of about 12% (300bn gloves) in 2019. We project a ramp-up in RSTON's glove production at 17.5% CAGR in FY17-19F. The global demand ratio of natural rubber and synthetic (nitrile) rubber gloves is also shifting in synthetic's favour. This is due to rising awareness about latex allergies in emerging economies and synthetic's low cost. In the long run, we expect the ratio to shift away from natural rubber gloves.

RSTON could be a long-term beneficiary of substitution from rubber gloves and PVC gloves (especially for the cleanroom segment) to nitrile gloves, as the company is principally engaged in the production of the latter.

Stable raw material prices. Prices for butadiene, the key raw material for nitrile gloves, have been range bound within a narrow band YTD which is the most ideal environment for RSTON. This allows the group to lock in contracts, especially for the cleanroom segment, at more predictable prices. Inventory control is also more manageable in a stable raw material price environment.

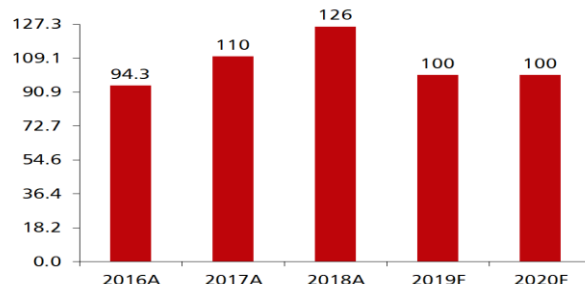
Capacity expansion to underpin growth. To capitalise on the favourable demand growth, RSTON is guiding for expansion of its manufacturing capacity to 10.4bn gloves by end-2019 / 1Q2020.

We expect RSTON's new production capacity to gradually propel top line growth at a CAGR of 10.5% between FY17 and FY20F.

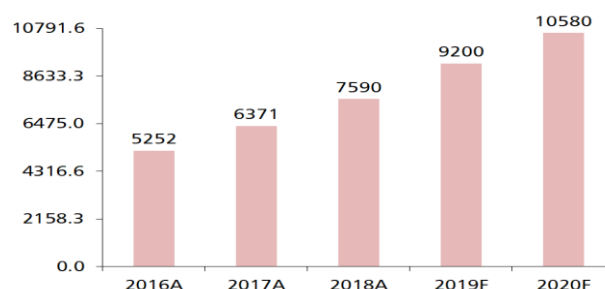
Higher proportion of cleanroom gloves. As RSTON's glove production lines can be used interchangeably for both healthcare and higher-margin cleanroom glove production, priority is typically given to cleanroom glove orders. Demand in the niche cleanroom segment mainly stems from the semiconductor and mobile tablet sectors. Given the current competitive landscape within the healthcare glove space, a higher and more sustained cleanroom glove production could help RSTON defend margins vs its peers (which are predominantly focused on the production of healthcare gloves).

Greater efficiency from higher automation and larger scale should help defend margins. Despite competition and pressure on ASPs, we expect automation efforts and RSTON's growing economies of scale to help defend against margin pressure.

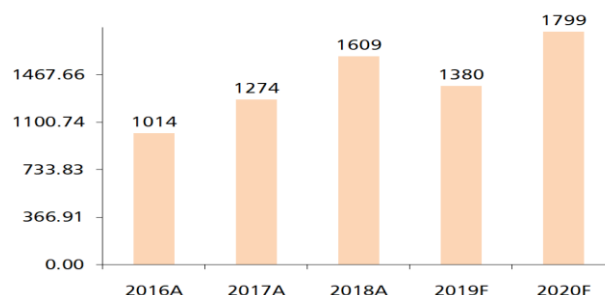
Capital Expenditure (RM\$m)



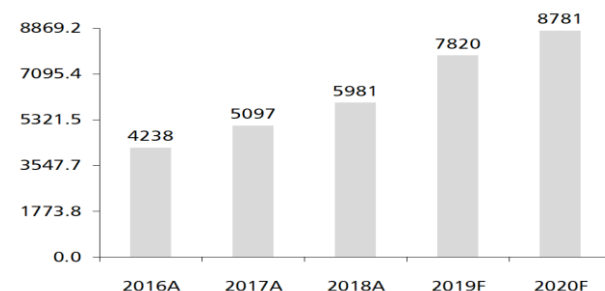
Production Capacity (m gloves)



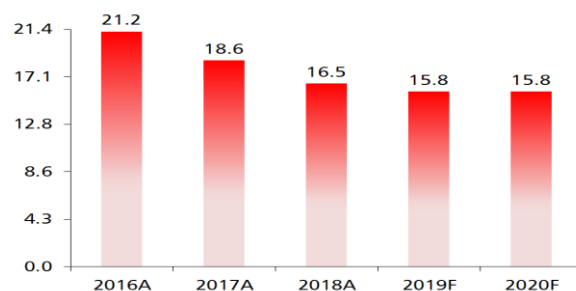
Cleanroom Gloves (m gloves)



Healthcare Gloves (m gloves)

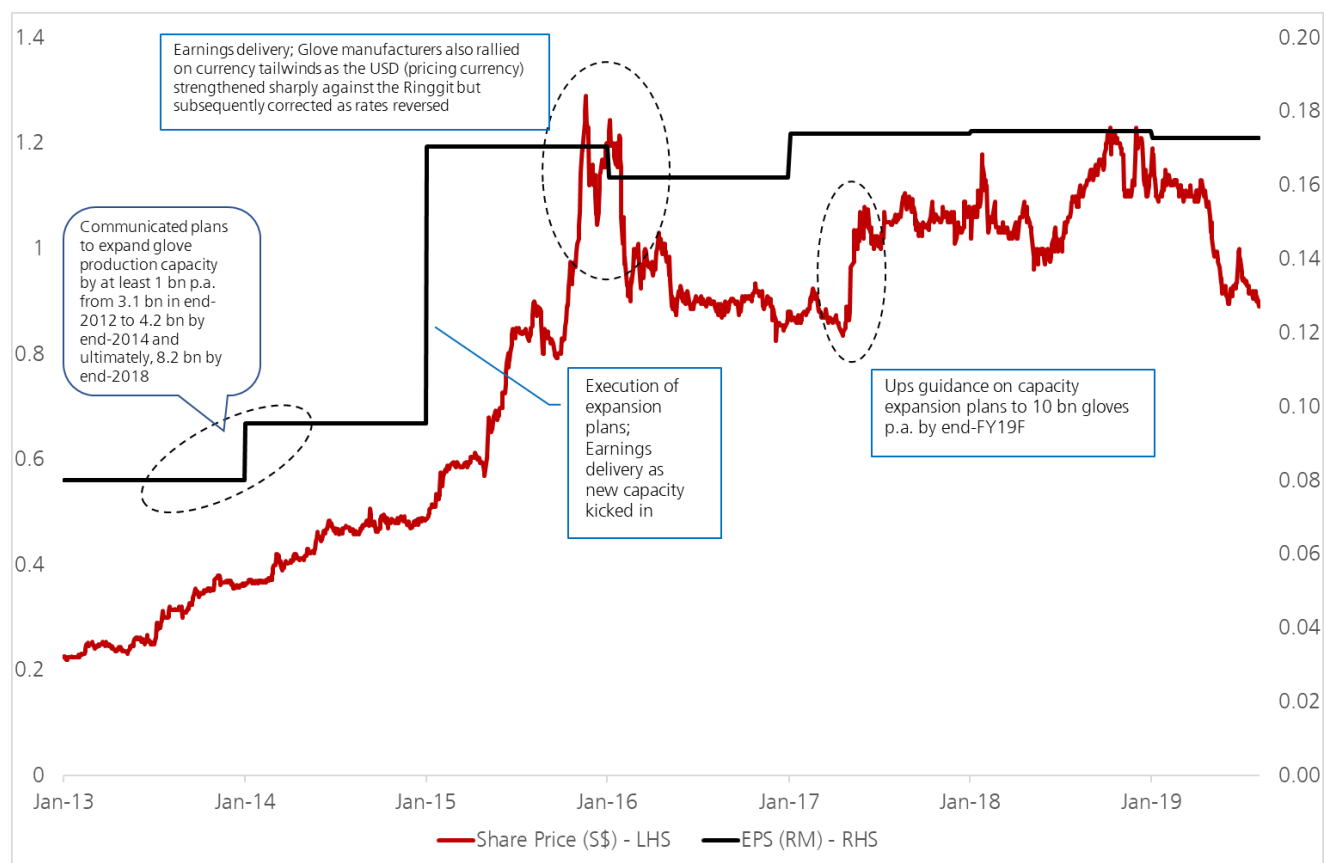


Operating Margins (%)



Source: Company, DBS Bank

Appendix 1: A look at Company's listed history – what drives its share price?



Source: Company, DBS Bank

Riverstone Holdings

Balance Sheet:

Healthy balance sheet. In 1Q17, the company took on debt for the first time in five years to fund its upcoming expansion plans. Despite this, we note that RSTON's net cash position remained strong at RM76.4m as at end-2Q19.

Forecast net fixed asset growth at a CAGR of 18% between 2014 and 2019. As capacity is expected to more than double in 2019 from 2014 levels, we project the group's net fixed assets to more than double from RM228m in 2014 to RM534m in 2019.

Share Price Drivers:

Higher proportion of cleanroom (vs healthcare) products to drive margins. Cleanroom products are able to deliver much higher margins compared to healthcare gloves. The ability to secure more orders for cleanroom products should boost earnings.

Acceleration of capacity expansion plans beyond the current guidance of 10.4bn gloves by end-2019 could drive a further re-rating of RSTON's share price.

Opportunities for inorganic growth. Due to the stringent requirements for the establishment of cleanroom facilities, RSTON does not rule out the possibility of acquiring quality cleanroom glove manufacturing companies in the future.

Key Risks:

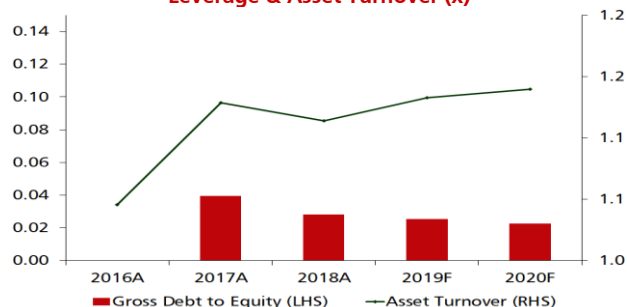
Global economic slowdown could impact cleanroom sales. A slowdown in the general economy could lead to declines in discretionary spending and manufacturing activity in the hard disk drive (HDD) industry. Although RSTON has been gradually reducing its exposure to the HDD and semiconductor industries (down from historical highs of up to 70%), they still make up almost 40% of the company's cleanroom portfolio today.

Intensifying competition could erode profitability. Rising competition from budding glove manufacturing regions such as Thailand and China could threaten RSTON's market share and pricing advantages, if it fails to advance on the technological front.

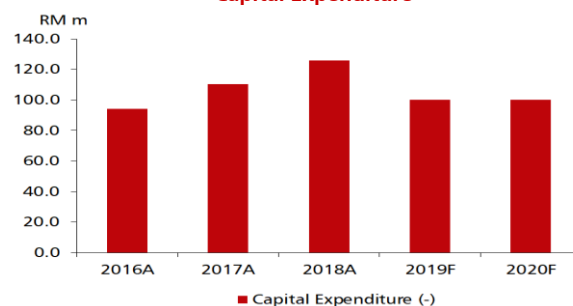
Company Background

Riverstone Holdings (RSTON SP) is a natural rubber and nitrile (synthetic rubber) glove manufacturer specialising in cleanroom and healthcare gloves. It is also engaged in the manufacturing and distribution of other ancillary products such as finger cots, packaging bags and face masks.

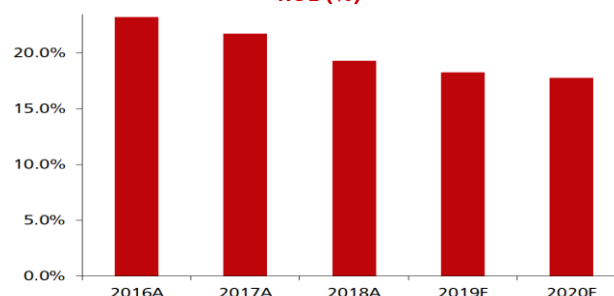
Leverage & Asset Turnover (x)



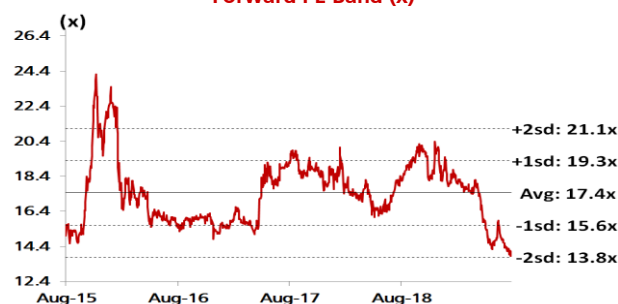
Capital Expenditure



ROE (%)



Forward PE Band (x)



PB Band (x)



Source: Company, DBS Bank

Key Assumptions

FY Dec	2016A	2017A	2018A	2019F	2020F
Capital Expenditure	94.3	110	126	100	100
Production Capacity (m)	5,252	6,371	7,590	9,200	10,580
Cleanroom Gloves (m)	1,014	1,274	1,609	1,380	1,799
Healthcare Gloves (m)	4,238	5,097	5,981	7,820	8,781
Operating Margins (%)	21.2	18.6	16.5	15.8	15.8

Income Statement (RMm)

FY Dec	2016A	2017A	2018A	2019F	2020F
Revenue	655	817	921	1,015	1,102
Cost of Goods Sold	(482)	(620)	(731)	(812)	(881)
Gross Profit	173	198	190	203	220
Other Opng (Exp)/Inc	(34.3)	(45.9)	(38.0)	(42.3)	(46.2)
Operating Profit	139	152	152	161	174
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	0.0	(1.0)	(0.9)	(0.9)	(0.9)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	139	151	151	160	173
Tax	(18.5)	(21.5)	(21.4)	(22.6)	(24.5)
Minority Interest	0.0	0.0	0.0	0.0	0.0
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	120	129	130	137	149
Net Profit before Except.	120	129	130	137	149
EBITDA	169	186	193	211	235
Growth					
Revenue Gth (%)	16.9	24.8	12.7	10.2	8.6
EBITDA Gth (%)	(0.3)	10.5	3.7	9.4	11.1
Opg Profit Gth (%)	(3.8)	9.4	0.1	5.7	8.4
Net Profit Gth (Pre-ex) (%)	(4.9)	7.4	0.3	5.7	8.5
Margins & Ratio					
Gross Margins (%)	26.4	24.2	20.6	20.0	20.0
Opg Profit Margin (%)	21.2	18.6	16.5	15.8	15.8
Net Profit Margin (%)	18.4	15.8	14.1	13.5	13.5
ROAE (%)	23.2	21.8	19.3	18.3	17.8
ROA (%)	19.2	17.9	15.7	15.3	15.4
ROCE (%)	22.7	20.7	18.3	17.4	17.0
Div Payout Ratio (%)	40.0	40.2	38.6	40.0	40.0
Net Interest Cover (x)	138,849.0	148.4	160.7	169.8	184.1

Source: Company, DBS Bank

Quarterly / Interim Income Statement (RMm)

FY Dec	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019
Revenue	214	240	257	241	240
Cost of Goods Sold	(166)	(193)	(209)	(194)	(191)
Gross Profit	48.3	46.1	48.7	46.6	48.3
Other Oper. (Exp)/Inc	(8.8)	(8.5)	(9.7)	(10.8)	(9.5)
Operating Profit	39.5	37.6	39.0	35.8	38.8
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	39.3	37.4	38.8	35.6	38.6
Tax	(5.7)	(5.2)	(5.9)	(5.4)	(6.1)
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	33.6	32.1	32.9	30.2	32.5
Net profit bef Except.	33.6	32.1	32.9	30.2	32.5
EBITDA	49.7	47.8	49.9	47.4	50.5

Growth

Revenue Gth (%)	2.1	11.8	7.5	(6.6)	(0.3)
EBITDA Gth (%)	8.1	(3.8)	4.5	(4.9)	6.5
Opg Profit Gth (%)	9.9	(4.8)	3.8	(8.3)	8.3
Net Profit Gth (Pre-ex) (%)	7.9	(4.3)	2.5	(8.2)	7.6

Margins

Gross Margins (%)	22.5	19.3	18.9	19.4	20.1
Opg Profit Margins (%)	18.4	15.7	15.2	14.9	16.2
Net Profit Margins (%)	15.7	13.4	12.8	12.6	13.6

Balance Sheet (RMm)

FY Dec	2016A	2017A	2018A	2019F	2020F
Net Fixed Assets	337	420	484	534	573
Invts in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other LT Assets	8.62	9.74	28.6	28.6	28.6
Cash & ST Invts	103	114	97.0	49.2	82.1
Inventory	67.0	71.1	83.6	83.4	90.0
Debtors	140	145	158	203	220
Other Current Assets	11.9	20.9	20.9	20.9	20.9
Total Assets	668	781	873	919	1,015
ST Debt	0.0	6.00	7.00	7.00	7.00
Creditor	90.5	102	126	89.7	96.7
Other Current Liab	9.92	8.45	6.88	6.88	6.88
LT Debt	0.0	19.0	13.0	13.0	13.0
Other LT Liabilities	12.7	11.2	11.0	11.0	11.0
Shareholder's Equity	555	634	709	791	881
Minority Interests	0.0	0.01	0.01	0.01	0.01
Total Cap. & Liab.	668	781	873	919	1,015
Non-Cash Wkg. Capital	119	127	130	211	228
Net Cash/(Debt)	103	89.3	77.0	29.2	62.1
Debtors Turn (avg days)	67.8	63.7	60.1	65.0	70.1
Creditors Turn (avg days)	70.7	60.0	60.3	51.7	41.4
Inventory Turn (avg days)	51.8	43.1	41.0	40.1	38.5
Asset Turnover (x)	1.0	1.1	1.1	1.1	1.1
Current Ratio (x)	3.2	3.0	2.6	3.4	3.7
Quick Ratio (x)	2.4	2.2	1.8	2.4	2.7
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	441.1	630.1	500.0	500.0
Z-Score (X)	12.5	12.0	10.2	12.5	12.0

Source: Company, DBS Bank

Cash Flow Statement (RMm)

FY Dec	2016A	2017A	2018A	2019F	2020F
Pre-Tax Profit	139	151	151	160	173
Dep. & Amort.	29.9	34.5	41.3	50.7	60.6
Tax Paid	(22.6)	(21.3)	(23.4)	(22.6)	(24.5)
Assoc. & JV Inc/(loss)	0.0	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	(31.8)	(11.6)	(2.8)	(80.8)	(16.9)
Other Operating CF	4.65	(6.8)	1.03	0.0	0.0
Net Operating CF	119	146	167	107	192
Capital Exp.(net)	(94.3)	(110)	(126)	(100.0)	(100.0)
Other Invt.(net)	(2.3)	0.0	0.0	0.0	0.0
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	0.0	0.0	0.0	0.0	0.0
Net Investing CF	(96.6)	(110)	(126)	(100.0)	(100.0)
Div Paid	(48.5)	(48.1)	(51.9)	(54.8)	(59.5)
Chg in Gross Debt	0.0	25.0	(5.0)	0.0	0.0
Capital Issues	0.0	0.0	0.0	0.0	0.0
Other Financing CF	0.0	0.0	0.0	0.0	0.0
Net Financing CF	(48.5)	(23.1)	(56.9)	(54.8)	(59.5)
Currency Adjustments	0.65	(1.3)	(1.6)	0.0	0.0
Chg in Cash	(25.5)	11.1	(17.2)	(47.8)	32.9
Opg CFPS (S cts)	6.70	6.99	7.56	8.35	9.31
Free CFPS (S cts)	1.10	1.57	1.83	0.31	4.11

Source: Company, DBS Bank

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	02 Nov 18	1.18	1.17	HOLD
2:	27 Feb 19	1.12	1.19	HOLD
3:	16 May 19	0.97	1.03	HOLD

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

Source: DBS Bank

Analyst: Lee Keng LING

DBS Bank recommendations are based on an 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 share price catalysts within this time frame)

**Share price appreciation + dividends*

Completed Date: 13 Aug 2019 09:19:27 (SGT)

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