

# Singapore Company Guide

# Yangzijiang Shipbuilding

Version 20 | Bloomberg: YZJSGD SP | Reuters: YAZG.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

2 Mar 2020

## BUY

Last Traded Price ( 28 Feb 2020): S\$0.945 (STI : 3,011.08)  
Price Target 12-mth: S\$1.50 (58% upside) (Prev S\$1.68)

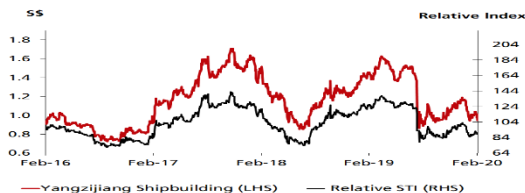
### Analyst

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### What's New

- FY19 PATMI in line with our 5%-below-consensus estimate
- Declared 4.5-Sct DPS, translating into 4.8% yield
- COVID-19 hitting 1Q earnings, but recovering towards 2Q and buffered by investment income; trimmed FY20 earnings by 14%
- Reiterate BUY; TP lowered to S\$1.50

### Price Relative



### Forecasts and Valuation

FY Dec (RMBm)	2018A	2019A	2020F	2021F
Revenue	23,238	23,597	20,133	22,405
EBITDA	4,391	4,602	3,864	4,137
Pre-tax Profit	3,910	4,186	3,515	4,160
Net Profit	3,070	3,105	2,640	3,206
Net Pft (Pre Ex.)	3,070	3,105	2,640	2,958
Net Pft Gth (Pre-ex) (%)	16.2	1.1	(15.0)	12.0
EPS (S cts)	15.5	15.6	13.4	16.3
EPS Pre Ex. (S cts)	15.5	15.6	13.4	15.0
EPS Gth Pre Ex (%)	14	1	(14)	12
Diluted EPS (S cts)	15.5	15.6	13.4	16.3
Net DPS (S cts)	4.93	4.44	3.95	4.44
BV Per Share (S cts)	147	158	167	179
PE (X)	6.1	6.0	7.0	5.8
PE Pre Ex. (X)	6.1	6.0	7.0	6.3
P/Cash Flow (X)	14.4	4.1	6.4	6.3
EV/EBITDA (X)	1.1	0.7	0.2	0.0
Net Div Yield (%)	5.2	4.7	4.2	4.7
P/Book Value (X)	0.6	0.6	0.6	0.5
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	11.2	10.3	8.3	9.4

Earnings Rev (%): (14) 0  
Consensus EPS (S cts): 16.7 15.5 14.4  
Other Broker Recs: B: 8 S: 1 H: 2

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

## Making its way against the tide

**Reiterate BUY; TP lowered to S\$1.50**, following earnings revision and a 10% discount to investment book given the economic slowdown in China. The stock is unjustifiably trading below its net cash position of ~S\$1.05 per share. Valuation is compelling at 0.6x P/BV against 9% ROE and 4-5% dividend yield. We believe its share price has priced in the 1Q weakness to a large extent and has yet to reflect the positives from its Chairman's return. The stock was trading at ~S\$1.50 prior to the negative news relating to the Chairman's assistance with an investigation involving former government official which has now been completed. Stronger contract flow and progress in LNG venture are key catalysts that should drive the stock price closer to our TP.

**One of the world's best-managed and profitable shipyards.** Core shipbuilding revenue ahead is backed by its order backlog of US\$2.9bn (~1.5x revenue coverage) as at end 2019. Investment segment provides stable recurring income. As the largest and most cost-efficient private shipbuilder in China, Yangzijiang is well positioned to ride on the sector consolidation and shipbuilding recovery. The company's strategy to move up into the LNG/LPG vessel segment strengthens its longer-term prospects.

**Where we differ:** We believe critical catalysts are Yangzijiang's successful strategy to expand into the LNG carrier and tanker markets, and overall recovery in the shipping and shipbuilding segments leading to margin improvements.

### Valuation:

Our target price of S\$1.50 is based on sum-of-parts, pegged to 8x FY20F PE shipbuilding earnings, 1x P/BV for bulk carriers and 0.9x P/BV for investments. This translates into 0.9x P/BV, which is 0.5SD below its 10-year mean (1.4x).

### Key Risks to Our View:

**USD depreciation and hike in steel cost.** Revenue is denominated mainly in USD, and only half is naturally hedged. If the net exposure is unhedged, every 1% USD depreciation could lead to a 1.5% decline in earnings. Every 1% rise in steel costs, which accounts for about 20% of COGS, could result in a 0.8% drop in earnings.

### At A Glance

Issued Capital (m shrs)	3,919
Mkt. Cap (S\$m/US\$m)	3,703 / 2,658
Major Shareholders (%)	
Yangzi International	21.8
Lido Points Investments	10.1
Hongkong Hengyuan Investment Ltd	5.0
Free Float (%)	63.1
3m Avg. Daily Val (US\$m)	23.6

**GIC Industry :** Industrials / Capital Goods



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## Yangzijiang Shipbuilding

### WHAT'S NEW

#### FY19 results in line

##### Results Review

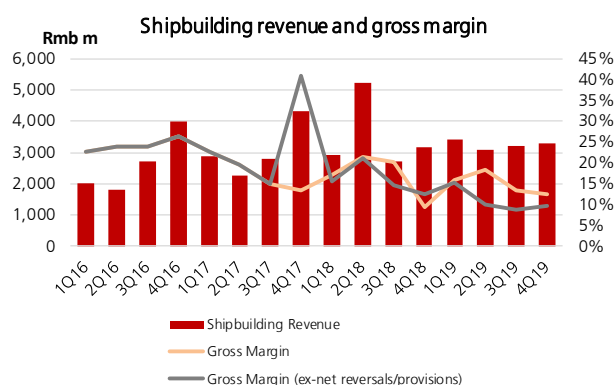
Yangzijiang reported **Rmb3.1bn net profit** for 2019, largely in line with our 5%-below-consensus estimate, similar to the restated FY18 profit.

The group restated its FY18 financials with net profit adjusted from Rmb3.6bn to Rmb3.1bn on changes in recognition of income from forfeiture and valuation of unlisted preference shares.

Adjusting for the effect of reversals/provisions for expected losses, **core shipbuilding margin was stable at 9.2%** (adjusted for net reversal of Rmb85m) vs 8.7% in 3Q19 (adjusted for net reversal of Rmb155m), and 12.5% in 4Q18 (adjusted for net provision of Rmb99m).

As of end-Dec 2019, provision for onerous contract and warranty provisions stood at Rmb588m and Rmb382m respectively.

#### Core shipbuilding revenue and gross margin trend



Source: Company, DBS Bank

**Slow order wins in FY19; stronger order momentum a key catalyst.** Yangzijiang won ~US\$830m worth of new orders, forming 42-55% of its annual target of US\$1.5-2.0bn. Overall newbuild ordering was slow this year especially in 1H as shipowners adopt a wait-and-see approach amidst economic uncertainties and ahead of IMO 2020 implementation.

YTD, Yangzijiang has secured an additional US\$104m of new orders, comprising two units each of 40k DWT bulk carriers and 82k DWT bulk carriers. While order win momentum started to improve with more clarity on implementation of IMO 2020 towards end-2019, conclusion of new contracts has probably been deferred by COVID-19. We believe the momentum will pick up as the situation stabilises.

#### 2019 contract wins

Date	No. of units	Job scope	Value, Est (US\$ m)
Mar-19	1	157k DWT oil tanker	116
Mar-19	1	82k DWT bulk carriers	
Mar-19	1	29.8k DWT self-unloading vessel	
Jun-19	2	82k DWT bulk carriers	93
Aug-19	2	320k DWT bulk carriers	160
Sep-19	2	325k DWT bulk carriers	235
Sep-19	3	82k DWT bulk carriers	
Oct-19	4	31.5k DWT Great Lakes bulk carriers	100
Dec-19	1	82k DWT bulk carriers	130
Dec-19	2	83.5DWT combination carriers	
Dec-19	2	13kDWT dual fuel chemical tankers	
<b>Total FY19 order wins for Yangzijiang</b>			<b>830</b>

Source: Company, DBS Bank

**Orderbook declined to US\$2.9bn** from US\$3.2bn a quarter ago. This implies revenue coverage of c. 1.5 years, lower than ideal range of 2.0-2.5 years.

#### Key takeaways from briefing

**Chairman's reassuring remarks.** Chairman, Mr Ren Yuanlin was present at the company's results briefing for the first time in two years. He resumed his duty at end-Dec after taking leave of absence for 4.5 months to assist in an investigation involving former government official. He commended CEO Mr Ren Letian and the senior management team for demonstrating strong capability to ensure smooth operation of shipyards and also excelling in several aspects including successful commencement of collaboration with Japanese partner Mitsui Shipyard, during his absence. He is confident that Yangzijiang will emerge stronger despite the challenging operating environment, with strategies in place and a solid balance sheet.

**Impact of COVID-19.** Shipyard activity level has dropped to 20-30% due to China's lockdown to curb the spread of COVID-19. Workers from other cities should mostly resume work by March. Management is hopeful to increase yard activity level back to 70-80% over the next one month, contingent upon continued improvement of the outbreak situation. Equipment supply is also delayed but remains manageable. No penalty is expected in the event of vessel

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delay. We have revised down our FY20 earnings forecasts by 14% to factor in the lower revenue and profitability in 1H20.

**Buffered by investment income.** While 1Q revenue is badly affected, the company's shipyard will try to catch up over the next three quarters. Usual shipbuilding revenue run rate of ~Rmb3bn in 1Q could be halved, wiping out profits, in our view. However, we believe Yangzijiang will remain in the black supported by investment income of ~ Rmb400m a quarter.

**New contracts a top priority.** Management emphasised on its priority to pursue new orders and maintain its US\$2bn target, leverage on the company's market leadership in large containerships and bulk carriers, as well as expansion into tankers and cleaner vessels (such as LNG carriers).

**Dividend yield sustainable at ~4%.** While we had expected a slightly higher DPS of ~5 Scts for FY19 (vs 4.5 Scts declared), we believe management has taken into consideration a weak 1H20. Going into 2020, we believe Yangzijiang could pay 3.5-4.0 Scts of DPS despite lower earnings, which translates to a decent ~4% yield.

### Quarterly / Interim Income Statement (RMBm)

FY Dec	4Q2018	3Q2019	4Q2019	% chg yoy	% chg qoq
Revenue	4,945	5,424	4,849	(1.9)	(10.6)
Cost of Goods Sold	(4,256)	(4,364)	(3,946)	(7.3)	(9.6)
<b>Gross Profit</b>	<b>689</b>	<b>1,060</b>	<b>904</b>	<b>31.2</b>	<b>(14.7)</b>
Other Oper. (Exp)/Inc	200	(194)	(4.8)	nm	(97.5)
<b>Operating Profit</b>	<b>888</b>	<b>866</b>	<b>899</b>	<b>1.2</b>	<b>3.8</b>
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	-	-
Associates & JV Inc	(92.7)	(23.2)	89.9	nm	nm
Net Interest (Exp)/Inc	1.97	29.9	(15.0)	nm	nm
Exceptional Gain/(Loss)	0.0	0.0	0.0	-	-
<b>Pre-tax Profit</b>	<b>798</b>	<b>873</b>	<b>974</b>	<b>22.1</b>	<b>11.6</b>
Tax	(273)	(153)	(214)	(21.5)	40.0
Minority Interest	177	(17.6)	(117)	nm	565.5
<b>Net Profit</b>	<b>702</b>	<b>702</b>	<b>642</b>	<b>(8.5)</b>	<b>(8.5)</b>
Net profit bef Except.	702	702	642	(8.5)	(8.5)
EBITDA	877	987	1,035	18.0	4.8
<b>Margins (%)</b>					
Gross Margins	13.9	19.5	18.6		
Opg Profit Margins	18.0	16.0	18.5		
Net Profit Margins	14.2	12.9	13.2		

Source of all data: Company, DBS Bank

## Yangzijiang Shipbuilding

### CRITICAL DATA POINTS TO WATCH

#### Critical Factors

**Order backlog offers revenue visibility.** Orderbook stood at US\$2.9n as at end-Dec 2019, implying book-to-bill ratio of c.1.5x, providing revenue visibility for the next 1.5 years. Yangzijiang is now ranked no.1 in China and no.5 in the world by orderbook. Contract wins were sluggish in 2019, declining ~45% y-o-y to US\$830m, partly affected by uncertainty over IMO 2020 and US-China trade war. Management targets to secure new orders of ~US\$1.5-2bn a year to maintain revenue coverage of c.2x, a healthy level for orderbook replenishment and optimisation of operational activities. YTD wins stood at US\$104m.

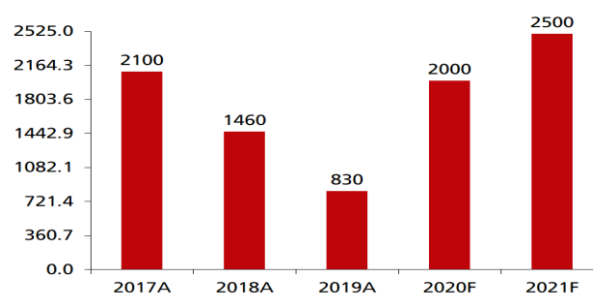
**Shipping recovery.** Global orderbook-to-fleet ratio has dropped to ~10% from the peak of ~55% in 2008, implying new supply in the low-to-mid single digits in these two years. Newbuild activities are expected to pick up as shipowners, who held back ordering pending clarity on implementation of IMO 2020, proceed with their order placements this year.

**Recognition of deferred income cushions downturn.** Post financial crisis, Yangzijiang has adopted more prudent provision and accounting policies. For instance, it extended the warranty provision (2% of sales in 2012-2015; 1% from 2016 onwards) from one year to three. The reversal of the warranty provision will be captured under COGS and would boost margins. We also expect the recognition of the remaining Rmb158m exceptional gains for the old yard's relocation fee in FY19 (in the form of government subsidies, Rmb557m out of a total of Rmb715m was recognised in FY15). The remaining ~Rmb300m of forfeited deposits from terminated vessels would also be recognised in 2020. In addition, given improving secondhand prices, Yangzijiang could potentially dispose the 13 terminated newbuild vessels at a gain. It recorded Rmb61m profit for the disposal of two bulk carriers in 3Q17. The reversal of foreseeable losses totaling Rmb588m in 2H19-1H20 would also bolster shipbuilding margins by 4%.

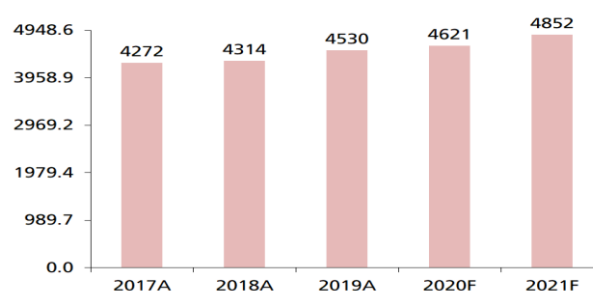
**Exploring M&A opportunities for long-term growth.** The Chinese shipbuilding industry has shrunk from over 3,000 yards to less than 100 currently. Further consolidation is underway, probably ending with 20-30 survivors, and Yangzijiang will surely make the list. It has emerged stronger in the past few cycles with Executive Chairman, Mr Ren Yuanlin at the helm. Mr Ren, ranked 82 in Lloyd's List of Top 100 most influential people in shipping, is highly respected for his great foresight, strategic sense, and cost and cash management.

**Production efficiency and cost control.** Yangzijiang enjoys 5-ppt higher margins vis-à-vis peers. This is achieved through its premium newbuild prices and better payment terms among Chinese yards, as well as production efficiency and cost control.

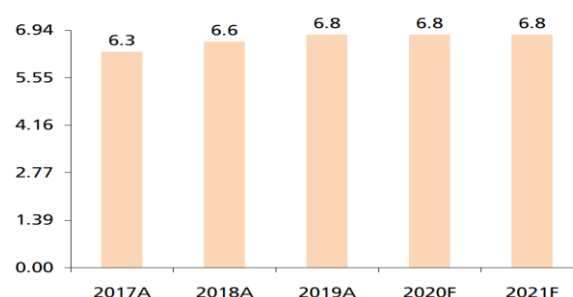
Order wins (US\$ m)



Steel cost (RMB/t)



RMB / USD



Source: Company, DBS Bank

## Yangzijiang Shipbuilding

### Balance Sheet:

**Sound balance sheet.** As at Dec 2019, including financial assets at amortised cost, Yangzijiang was in a net cash position, equivalent to S\$1.05 per share or ~65% of its NTA. It is expected to churn positive free cash flow in the light of its minimal capex requirements.

### Share Price Drivers:

**Contract wins** is traditionally the leading indicator of shipbuilders' share price performance and earnings. In particular, Yangzijiang is gaining a good foothold in the "high-specs" vessel space, which has long been dominated by its Korean peers. The successful penetration into **LNG carrier** space is a key catalyst, in our view.

### Key Risks:

**Prolonged industry downturn.** The ongoing US-China trade dispute and COVID-19 outbreak could affect economic growth and derail recovery of shipping market of bulk carriers and containerships. In addition, competition among yards remains keen. The prolonged shipbuilding downturn could affect Yangzijiang's order wins and share price.

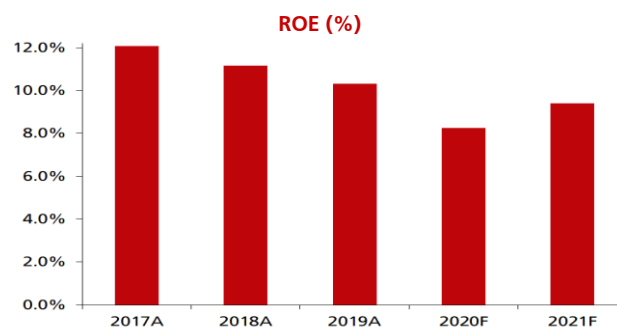
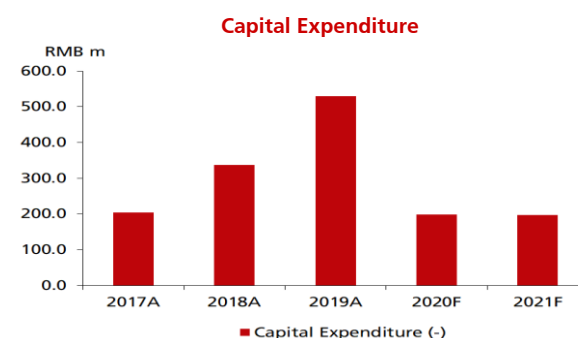
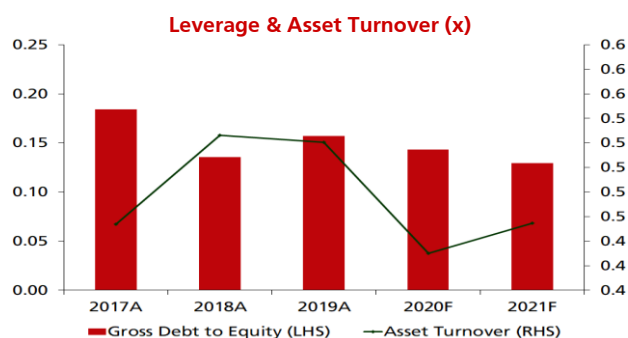
**USD depreciation and hike in steel cost.** Revenue is denominated mainly in USD, and only half is naturally hedged. Assuming the net exposure is unhedged, every 1% USD depreciation could lead to a 1.5% earnings decline. Every 1% rise in steel costs, which account for about 20% of COGS, could result in a 0.8% drop to the bottom line.

### Environment, Social, Governance:

Yangzijiang's Bloomberg ESG Disclosure Score had improved from 2015-2017. The group has built up R&D capabilities in fuel-efficient and lower-emission green vessels, in support of the cleaner energy trend. Believing in giving back to society, over the years, the group and Mr. Ren Yuanlin, the Executive Chairman, have given hundreds of millions of RMB to society for various purposes.

### Company Background

Yangzijiang is one of the largest, most efficient and most profitable shipbuilders in China. It has moved up the value chain to produce mega containerships and very large bulk carriers, as well as LNG vessels.



## Yangzijiang Shipbuilding

### Key Assumptions

FY Dec	2017A	2018A	2019A	2020F	2021F
Order wins (US\$ m)	2,100	1,460	830	2,000	2,500
Steel cost (RMB/t)	4,272	4,314	4,530	4,621	4,852
RMB / USD	6.30	6.60	6.80	6.80	6.80

### Segmental Breakdown

FY Dec	2017A	2018A	2019A	2020F	2021F
<b>Revenues (RMBm)</b>					
Shipbuilding	12,301	14,023	13,019	11,122	13,259
Investment	1,111	1,612	1,890	1,611	1,406
Others	5,794	7,603	8,687	7,400	7,740
<b>Total</b>	<b>19,206</b>	<b>23,238</b>	<b>23,597</b>	<b>20,133</b>	<b>22,405</b>
<b>Gross profit (RMBm)</b>					
Shipbuilding	2,100	2,471	1,939	1,281	1,833
Investment	1,056	1,534	1,798	1,531	1,335
Others	156	106	591	702	707
<b>Total</b>	<b>3,312</b>	<b>4,112</b>	<b>4,329</b>	<b>3,514</b>	<b>3,876</b>
<b>Gross profit Margins (%)</b>					
Shipbuilding	17.1	17.6	14.9	11.5	13.8
Investment	95.1	95.2	95.1	95.0	95.0
Others	2.7	1.4	6.8	9.5	9.1
<b>Total</b>	<b>17.2</b>	<b>17.7</b>	<b>18.3</b>	<b>17.5</b>	<b>17.3</b>

### Income Statement (RMBm)

FY Dec	2017A	2018A	2019A	2020F	2021F
Revenue	19,206	23,238	23,597	20,133	22,405
Cost of Goods Sold	(15,894)	(19,127)	(19,269)	(16,619)	(18,529)
<b>Gross Profit</b>	<b>3,312</b>	<b>4,112</b>	<b>4,329</b>	<b>3,514</b>	<b>3,876</b>
Other Opng (Exp)/Inc	(179)	(167)	(321)	(104)	(172)
<b>Operating Profit</b>	<b>3,133</b>	<b>3,944</b>	<b>4,007</b>	<b>3,410</b>	<b>3,704</b>
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	40.1	(85.8)	117	0.0	0.0
Net Interest (Exp)/Inc	25.2	51.7	62.1	105	208
Exceptional Gain/(Loss)	290	0.0	0.0	0.0	248
<b>Pre-tax Profit</b>	<b>3,487</b>	<b>3,910</b>	<b>4,186</b>	<b>3,515</b>	<b>4,160</b>
Tax	(395)	(830)	(890)	(703)	(782)
Minority Interest	(160)	(9.8)	(191)	(171)	(171)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>2,931</b>	<b>3,070</b>	<b>3,105</b>	<b>2,640</b>	<b>3,206</b>
Net Profit before Except.	2,642	3,070	3,105	2,640	2,958
EBITDA	3,655	4,391	4,602	3,864	4,137
<b>Growth</b>					
Revenue Gth (%)	27.3	21.0	1.5	(14.7)	11.3
EBITDA Gth (%)	(11.3)	20.1	4.8	(16.0)	7.1
Opg Profit Gth (%)	(13.9)	25.9	1.6	(14.9)	8.6
Net Profit Gth (Pre-ex) (%)	15.7	16.2	1.1	(15.0)	12.0
<b>Margins &amp; Ratio</b>					
Gross Margins (%)	17.2	17.7	18.3	17.5	17.3
Opg Profit Margin (%)	16.3	17.0	17.0	16.9	16.5
Net Profit Margin (%)	15.3	13.2	13.2	13.1	14.3
ROAE (%)	12.1	11.2	10.3	8.3	9.4
ROA (%)	6.9	7.0	6.8	5.6	6.5
ROCE (%)	8.6	9.2	8.6	7.0	7.3
Div Payout Ratio (%)	30.2	31.8	28.1	29.4	27.2
Net Interest Cover (x)	NM	NM	NM	NM	NM

Source: Company, DBS Bank

## Yangzijiang Shipbuilding

### Quarterly / Interim Income Statement (RMBm)

FY Dec	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019
Revenue	4,945	6,291	7,033	5,424	4,849
Cost of Goods Sold	(4,256)	(5,125)	(5,834)	(4,364)	(3,946)
<b>Gross Profit</b>	<b>689</b>	<b>1,166</b>	<b>1,199</b>	<b>1,060</b>	<b>904</b>
Other Oper. (Exp)/Inc	200	(198)	74.7	(194)	(4.8)
<b>Operating Profit</b>	<b>888</b>	<b>969</b>	<b>1,273</b>	<b>866</b>	<b>899</b>
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	(92.7)	73.1	(22.7)	(23.2)	89.9
Net Interest (Exp)/Inc	1.97	23.7	23.5	29.9	(15.0)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>798</b>	<b>1,065</b>	<b>1,274</b>	<b>873</b>	<b>974</b>
Tax	(273)	(224)	(298)	(153)	(214)
Minority Interest	177	(16.9)	(39.4)	(17.6)	(117)
<b>Net Profit</b>	<b>702</b>	<b>824</b>	<b>936</b>	<b>702</b>	<b>642</b>
Net profit bef Except.	702	824	936	702	642
EBITDA	877	1,186	1,393	987	1,035

### Growth

Revenue Gth (%)	(7.9)	27.2	11.8	(22.9)	(10.6)
EBITDA Gth (%)	(16.4)	35.2	17.5	(29.1)	4.8
Opg Profit Gth (%)	(0.6)	9.0	31.5	(32.0)	3.8
Net Profit Gth (Pre-ex) (%)	(9.9)	17.4	13.6	(25.0)	(8.5)

### Margins

Gross Margins (%)	13.9	18.5	17.0	19.5	18.6
Opg Profit Margins (%)	18.0	15.4	18.1	16.0	18.5
Net Profit Margins (%)	14.2	13.1	13.3	12.9	13.2

### Balance Sheet (RMBm)

FY Dec	2017A	2018A	2019A	2020F	2021F
Net Fixed Assets	4,821	5,163	5,678	5,422	5,185
Invt in Associates & JVs	1,395	1,454	1,533	1,533	1,533
Other LT Assets	7,704	7,144	7,293	6,861	6,666
Cash & ST Invt	15,574	18,824	21,552	23,654	25,700
Inventory	2,628	2,606	1,598	2,196	2,444
Debtors	5,290	5,051	4,680	4,474	4,979
Other Current Assets	5,960	4,669	3,422	3,764	4,141
<b>Total Assets</b>	<b>43,373</b>	<b>44,911</b>	<b>45,756</b>	<b>47,903</b>	<b>50,645</b>
ST Debt	2,532	1,149	2,782	2,504	2,254
Creditor	5,859	4,195	3,514	4,474	4,668
Other Current Liab	5,185	5,688	3,894	3,308	3,387
LT Debt	2,359	2,895	2,251	2,363	2,481
Other LT Liabilities	922	1,166	1,260	1,260	1,260
Shareholder's Equity	25,885	29,102	31,096	32,863	35,293
Minority Interests	632	717	959	1,130	1,302
<b>Total Cap. &amp; Liab.</b>	<b>43,373</b>	<b>44,911</b>	<b>45,756</b>	<b>47,903</b>	<b>50,645</b>
Non-Cash Wkg. Capital	2,835	2,443	2,292	2,653	3,509
Net Cash/(Debt)	10,684	14,780	16,519	18,787	20,965
Debtors Turn (avg days)	101.1	81.2	75.3	83.0	77.0
Creditors Turn (avg days)	127.5	98.7	74.9	90.2	92.2
Inventory Turn (avg days)	55.2	51.4	40.8	42.8	46.8
Asset Turnover (x)	0.5	0.5	0.5	0.4	0.5
Current Ratio (x)	2.2	2.8	3.1	3.3	3.6
Quick Ratio (x)	1.5	2.2	2.6	2.7	3.0
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	(4.2)	8.3	10.5	4.1	4.2
Z-Score (X)	2.8	2.8	2.7	2.8	2.9

Source: Company, DBS Bank

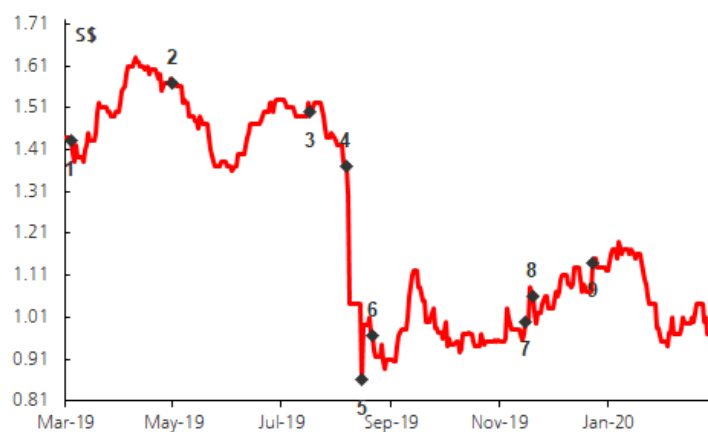
## Yangzijiang Shipbuilding

### Cash Flow Statement (RMBm)

FY Dec	2017A	2018A	2019A	2020F	2021F
Pre-Tax Profit	3,487	3,910	4,186	3,515	4,160
Dep. & Amort.	483	532	477	455	436
Tax Paid	(584)	(637)	(781)	(1,289)	(703)
Assoc. & JV Inc/(loss)	(40.1)	85.8	(117)	0.0	0.0
Chg in Wkg.Cap.	(1,131)	(2,445)	985	226	(935)
Other Operating CF	(633)	(139)	(142)	0.0	0.0
<b>Net Operating CF</b>	<b>1,582</b>	<b>1,307</b>	<b>4,609</b>	<b>2,906</b>	<b>2,958</b>
Capital Exp.(net)	204	(337)	(530)	(198)	(197)
Other Invt.(net)	0.0	0.0	0.0	0.0	0.0
Invt in Assoc. & JV	(545)	(187)	(149)	0.0	0.0
Div from Assoc & JV	71.5	184	139	0.0	0.0
Other Investing CF	(514)	1,248	(172)	1,568	705
<b>Net Investing CF</b>	<b>(783)</b>	<b>908</b>	<b>(712)</b>	<b>1,370</b>	<b>508</b>
Div Paid	(754)	(870)	(990)	(873)	(776)
Chg in Gross Debt	(1,943)	(782)	811	(166)	(132)
Capital Issues	1,008	0.0	0.0	0.0	0.0
Other Financing CF	0.0	(165)	(128)	0.0	0.0
<b>Net Financing CF</b>	<b>(1,690)</b>	<b>(1,816)</b>	<b>(307)</b>	<b>(1,039)</b>	<b>(908)</b>
Currency Adjustments	0.0	0.0	0.0	0.0	0.0
Chg in Cash	(890)	399	3,589	3,238	2,558
Opg CFPS (S cts)	13.9	18.9	18.2	13.6	19.8
Free CFPS (S cts)	9.18	4.88	20.5	13.8	14.0

Source: Company, DBS Bank

### Target Price & Ratings History



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

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	04 Mar 19	1.43	1.82	BUY
2:	30 Apr 19	1.57	1.82	BUY
3:	17 Jul 19	1.50	1.82	BUY
4:	06 Aug 19	1.37	1.82	BUY
5:	15 Aug 19	0.86	1.82	BUY
6:	21 Aug 19	0.97	1.82	BUY
7:	15 Nov 19	1.00	1.68	BUY
8:	19 Nov 19	1.06	1.68	BUY
9:	23 Dec 19	1.14	1.68	BUY

Source: DBS Bank

Analyst: Pei Hwa HO



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: 2 Mar 2020 08:20:36 (SGT)

Dissemination Date: 2 Mar 2020 08:31:09 (SGT)

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