

Company Flash Note

Singapore

August 3, 2017 - 12:26 PM

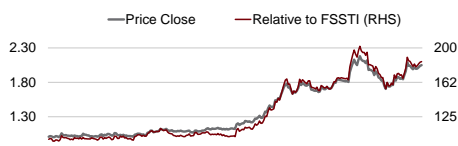
ADD (no change)

Consensus ratings*:	Buy 2	Hold 1	Sell 0
Current price:	S\$2.05		
Target price:	S\$2.19		
Previous target:	S\$2.19		
Up/downside:	7.0%		
CIMB / Consensus:	-8.8%		
Reuters:	SUND.SI		
Bloomberg:	SUNN.SP		
Market cap:	US\$283.6m		
	S\$385.5m		
Average daily turnover:	US\$1.72m		
	S\$2.39m		
Current shares o/s	188.1m		
Free float:	64.2%		

*Source: Bloomberg

Key financial forecasts

	Dec-17F	Dec-18F	Dec-19F
Net Profit (S\$m)	36.50	40.50	43.97
Core EPS (S\$)	0.20	0.22	0.24
Core EPS Growth	(8.0%)	10.6%	8.3%
FD Core P/E (x)	10.19	9.22	8.51
Recurring ROE	10.5%	10.9%	11.1%
P/BV (x)	1.04	0.97	0.91
DPS (S\$)	0.081	0.086	0.086
Dividend Yield	3.95%	4.19%	4.22%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	17.8	18.5	101
Relative (%)	14	14.2	83.8

Major shareholders	% held
Koh Boon Hwee	15.9
Goi Seng Hui	8.1
Yarwood Engineering and Trading	8.1

Analyst(s)

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Sunningdale Tech Ltd

Gross margin maintained above 15%

- 2Q17 net profit (+115.3% yoy) was broadly in line, forming 23% of our FY17F forecast. We deem 1H17 net profit as in line, at 44% of our FY17F forecast.
- Revenue (+6.6% yoy) was within expectations, driven by the automotive segment (+7.9% yoy) and consumer/IT segment (+11.4% yoy).
- No change to our earnings forecasts or P/BV-based target price. Maintain Add.

Gross margin continued to improve

- Sunningdale continued to enjoy the fruit of its efforts to lower operating costs. The 2Q17 gross margin improved to 15.6% versus 13.8% in 1Q16 and 15.0% in 1Q17.
- Excluding foreign exchange losses and retrenchment costs, the adjusted net profit for 2Q17 was S\$10.9m (+57.1% yoy).

Strong balance sheet; inaugural interim DPS

- Sunningdale remained in a net cash position as at end-Jun 17.
- Net cash from operations grew 89% yoy to S\$12.1m. Free cash flow generated in 2Q17 was S\$4.4m versus negative free cash flow of S\$1.6m in 2Q16.
- The company also declared an inaugural interim DPS of S\$0.025.

Stronger 2H17F

- Regarding its outlook, Sunningdale guided that its operations continued to face headwinds from rising labour cost, foreign exchange rate volatility and pricing pressure from customers.
- On a positive note, the company commented that, into the seasonally stronger second half, there were enquiries from new and existing customers across all business segments.
- The group's order book remained stable.

Cost reduction efforts to continue

- As part of its cost reduction efforts, the group will progressively add capacity to its latest factory at Chuzhou, China.
- The construction of its 20th plant in Penang, Malaysia, is underway and remains on track for completion by the end of 1Q18F.

Maintain Add

- No changes to our EPS forecasts or P/BV-based target price of S\$2.19.
- We value Sunningdale at 1.11x FY17F P/BV (ROE: 9.6%, COE: 8.6%, zero growth).
- Downside risks remain unfavourable exchange rates and a pull-back in customer orders.

Figure 1: Results comparison

FYE Dec (S\$m)	2QFY17	2QFY16	yoy % chg	qoq % chg	2QFY17 Cum	2QFY16 Cum	yoy % chg	Prev FY17F	Comments
Revenue	178	167	6.6	3.4	349	328	6.6	716	In line; Automotive segment grew 8% yoy.
Operating costs	(160)	(155)	3.0	2.7	(315)	(304)	3.8	(637)	In line.
EBITDA	18	11	55.9	9.9	34	24	41.6	79	
EBITDA margin (%)	10	7	46.3	16.5	10	7	32.9	11	Driven by cost efficiencies.
Depn & amort.	(7)	(8)	(5.5)	(1.4)	(15)	(16)	(6.5)	(35)	In line.
EBIT	10	4	189.2	19.6	19	8	136.0	44	In line.
Interest expense	(1)	(1)	(18.8)	5.7	(2)	(2)	(19.8)	(3)	
Interest & invt inc	1	3	(64.8)	(45.1)	3	4	(32.6)	5	
Associates' contrib	0	0	(40.9)	16.9	0	0	(19.6)	1	
Exceptionals & other	-	-	na	na	-	-	na	-	
Pretax profit	11	6	91.5	9.5	21	11	95.3	47	
Tax	(3)	(2)	41.4	20.2	(5)	(3)	48.6	(10)	
Tax rate (%)	23.8	32.2	(26.1)	9.8	23	29.9	(23.9)	22.0	
Minority interests	-	-	na	na	-	-	na	-	
Net profit	8	4	115.3	6.5	16	7	115.2	37	Broadly in line.
Core net profit	8	4	115.3	6.5	16	7	115.2	37	Broadly in line.
EPS (cts)	4	2	115.3	6.5	8	4	115.2	19	
Core EPS (cts)	4	2	115.3	6.5	8	4	115.2	19	

SOURCES: CIMB, COMPANY REPORTS

Figure 2: Peer comparison

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	Core P/E (x) CY17F	Core P/E (x) CY18F	3-year EPS CAGR (%)	P/BV (x) CY17F	Recurring ROE (%) CY17F	Dividend Yield (%) CY17F
Sunningdale Tech Ltd	SUNN SP	ADD	2.05	2.19	283.9	10.2	9.2	4.0%	1.04	10.1%	4.0%
UMS Holdings Ltd	UMSH SP	Add	1.08	1.15	339.7	11.5	10.4	19.6%	2.26	20.0%	5.6%
Venture Corporation	VMS SP	Hold	13.83	12.01	2,873.3	18.4	16.6	13.1%	1.90	10.3%	3.6%
Memtech International	MTEC SP	Add	1.01	1.09	104.3	11.5	9.4	32.8%	0.90	8.0%	3.4%
Valuetronics Holdings Ltd	VALUE SP	Add	0.82	0.89	252.3	11.6	10.2	13.2%	1.96	17.6%	4.3%
CEI Limited	CEI SP	Add	1.13	1.11	71.8	10.1	9.3	8.3%	2.31	22.9%	7.9%
Fu Yu Corp Ltd	FUYU SP	NR	0.21	NA	113.6	14.6	10.3	12.6%	0.89	6.7%	8.8%
Hi-P International Ltd	HIP SP	NR	1.07	NA	634.5	12.7	12.0	na	1.39	11.5%	0.9%
Simple average (all co)						12.6	10.9	14.8%	1.58	13.4%	4.8%

SOURCE: CIMB RESEARCH, COMPANY

Figure 3: Sunningdale forward P/BV



SOURCES: CIMB, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(\$m)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	684.5	715.9	756.9	798.4
Gross Profit	125.6	142.1	152.4	162.1
Operating EBITDA	61.3	79.2	86.2	92.5
Depreciation And Amortisation	(31.1)	(34.8)	(37.4)	(40.0)
Operating EBIT	30.2	44.4	48.9	52.6
Financial Income/(Expense)	(2.5)	(2.5)	(2.5)	(2.5)
Pretax Income/(Loss) from Assoc.	0.9	0.9	0.9	0.9
Non-Operating Income/(Expense)	19.2	4.0	4.0	4.0
Profit Before Tax (pre-EI)	49.4	48.5	53.0	56.7
Exceptional Items	0.0	0.0	0.0	0.0
Pre-tax Profit	47.9	46.8	51.3	55.0
Taxation	(8.2)	(10.3)	(10.8)	(11.0)
Exceptional Income - post-tax	0.0	0.0	0.0	0.0
Profit After Tax	39.7	36.5	40.5	44.0
Minority Interests	0.0	0.0	0.0	0.0
Preferred Dividends	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax	0.0	0.0	0.0	0.0
Other Adjustments - post-tax	0.0	0.0	0.0	0.0
Net Profit	39.7	36.5	40.5	44.0
Recurring Net Profit	41.0	37.8	41.8	45.3
Fully Diluted Recurring Net Profit	41.0	37.8	41.8	45.3

Balance Sheet

(\$m)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	115.3	155.5	185.3	217.7
Total Debtors	194.4	176.5	186.6	196.9
Inventories	114.9	116.7	123.1	129.7
Total Other Current Assets	7.7	5.0	5.0	5.0
Total Current Assets	432.3	453.7	500.0	549.3
Fixed Assets	191.6	193.5	183.9	171.6
Total Investments	5.3	6.2	7.1	8.0
Intangible Assets	17.4	15.7	12.7	12.7
Total Other Non-Current Assets	1.9	1.6	1.6	1.6
Total Non-current Assets	216.2	217.1	205.3	193.9
Short-term Debt	67.6	70.4	70.4	70.4
Current Portion of Long-Term Debt	0.0	0.0	0.0	0.0
Total Creditors	183.9	176.5	186.6	196.9
Other Current Liabilities	3.9	2.8	2.8	2.8
Total Current Liabilities	255.4	249.7	259.8	270.0
Total Long-term Debt	33.8	41.4	41.4	41.4
Hybrid Debt - Debt Component	0.0	0.0	0.0	0.0
Total Other Non-Current Liabilities	0.0	0.0	0.0	0.0
Total Non-current Liabilities	33.8	41.4	41.4	41.4
Total Provisions	8.1	7.9	7.9	7.9
Total Liabilities	297.2	299.0	309.1	319.4
Shareholders' Equity	351.3	371.8	396.1	423.8
Minority Interests	0.0	0.0	0.0	0.0
Total Equity	351.3	371.8	396.1	423.8

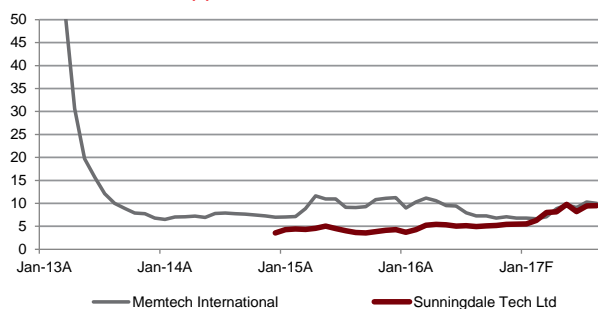
Cash Flow

(\$m)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	61.34	79.16	86.22	92.52
Cash Flow from Inv. & Assoc.	0.00	0.00	0.00	0.00
Change In Working Capital	(10.81)	11.26	(6.41)	(6.59)
(Incr)/Decr in Total Provisions	0.00	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	0.00	0.00	0.00	0.00
Other Operating Cashflow	11.00	(3.40)	4.40	2.20
Net Interest (Paid)/Received	(2.50)	(2.50)	(2.50)	(2.50)
Tax Paid	(6.18)	(11.07)	(10.76)	(10.99)
Cashflow From Operations	52.84	73.46	70.95	74.65
Capex	(36.03)	(35.00)	(26.00)	(26.00)
Disposals Of FAs/subsidiaries	8.30	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	0.00	0.00	0.00	0.00
Other Investing Cashflow	0.00	0.00	0.00	0.00
Cash Flow From Investing	(27.73)	(35.00)	(26.00)	(26.00)
Debt Raised/(repaid)	(21.18)	10.43	0.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00
Dividends Paid	(9.34)	(8.66)	(15.23)	(16.17)
Preferred Dividends	0.00	0.00	0.00	0.00
Other Financing Cashflow	4.40	0.00	0.00	0.00
Cash Flow From Financing	(26.11)	1.78	(15.23)	(16.17)
Total Cash Generated	(1.00)	40.24	29.72	32.47
Free Cashflow To Equity	3.93	48.89	44.95	48.65
Free Cashflow To Firm	28.11	41.46	47.95	51.65

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	1.5%	4.6%	5.7%	5.5%
Operating EBITDA Growth	(0.8%)	29.1%	8.9%	7.3%
Operating EBITDA Margin	9.0%	11.1%	11.4%	11.6%
Net Cash Per Share (\$)	0.07	0.23	0.39	0.56
BVPS (\$)	1.87	1.98	2.11	2.25
Gross Interest Cover	10.59	15.37	16.85	18.09
Effective Tax Rate	17.1%	22.0%	21.0%	20.0%
Net Dividend Payout Ratio	21.0%	39.9%	38.3%	35.6%
Accounts Receivables Days	96.91	94.56	87.56	87.66
Inventory Days	72.41	73.68	72.39	72.51
Accounts Payables Days	109.5	114.6	109.6	110.0
ROIC (%)	9.5%	13.6%	15.3%	16.8%
ROCE (%)	7.0%	9.8%	10.1%	10.3%
Return On Average Assets	6.94%	6.17%	6.50%	6.65%

12-mth Fwd FD P/E (x)



Key Drivers

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP Change (% Main Product)	12.0%	7.0%	10.0%	9.0%
Unit sales growth (% main prod)	N/A	N/A	N/A	N/A
No. Of Lines (main Product)	N/A	N/A	N/A	N/A
Rev per line (US\$, main prod)	N/A	N/A	N/A	N/A
ASP chg (% 2ndary prod)	1.6%	2.5%	2.5%	2.5%
Unit sales grth (% 2ndary prod)	N/A	N/A	N/A	N/A
No. Of Lines (secondary Product)	N/A	N/A	N/A	N/A
Rev per line (US\$, 2ndary prod)	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

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Description:	Excellent	Very Good	Good	N/A	

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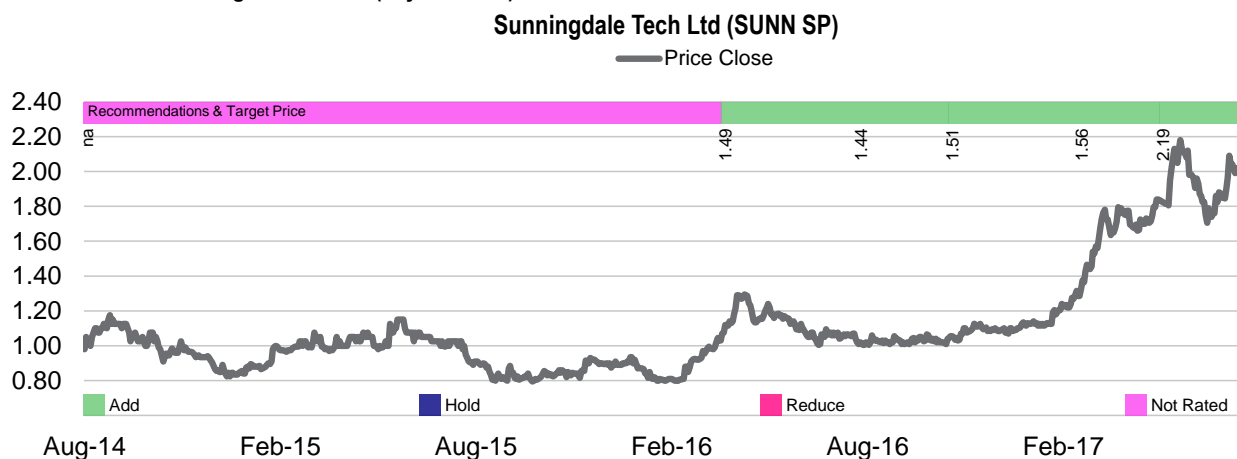
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	Rating Distribution (%)	Investment Banking clients (%)
Add	51.2%	5.5%
Hold	35.7%	3.1%
Reduce	11.9%	0.1%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2016, Anti-Corruption 2016

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- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

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Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.