

## Company Note

### Singapore

#### ADD (no change)

Consensus ratings\*: Buy 3 Hold 0 Sell 0

Current price: S\$2.25  
 Target price: S\$2.79  
 Previous target: S\$2.86  
 Up/downside: 24.2%  
 CIMB / Consensus: 0.5%

Reuters: SUND.SI  
 Bloomberg: SUNN.SP  
 Market cap: US\$310.7m  
 S\$423.1m  
 Average daily turnover: US\$1.19m  
 S\$1.62m  
 Current shares o/s: 188.1m  
 Free float: 64.2%

\*Source: Bloomberg

#### Key changes in this note

- ▶ FY17F EPS decreased by 10.0%.
- ▶ FY18F EPS decreased by 3.2%.
- ▶ FY19F EPS decreased by 2.9%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	5.6	4.2	110.3
Relative (%)	1.7	1.1	89

#### 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

### Held back by unrealised exchange losses

- 3Q17/9M17 sales were in line at 26%/75% of our full-year forecast.
- Core net profit for 3Q17/9M17 came in below expectations (due to unrealised foreign exchange losses) at 21%/65% of our full-year forecast.
- Adding back the unrealised exchange rate impact, 3Q17 net profit would have grown by 37.8% yoy instead of the headline 24.2% yoy decline.
- Gross profit margin slipped to 14.32% in 3Q17 due to higher contribution from mould fabrication activities.
- Our TP dips slightly to S\$2.79 as we adjust for higher operating expenses in FY17.

### 3Q17 earnings below on unrealised exchange rate losses

3Q17 revenue grew by 9.1% yoy, driven by growth across all business segments, which helped the company to meet our expectations at 26% of our full-year forecast. However, reported net profit was below our expectation at 21% of our full-year forecast. Unrealised exchange losses amounted to S\$3.1m in 3Q17 versus an unrealised gain of S\$2.3m in 3Q16. Adjusting for the foreign exchange impact, adjusted net profit grew by 37.8% yoy.

### Mould fabrication registered the strongest revenue growth

The mould fabrication segment registered the strongest revenue growth in 3Q17 at 35.0% yoy, followed by the healthcare segment at 6.2% yoy, the consumer/IT segment at 5.6% yoy and the automotive segment at 2.5% yoy. As mould fabrication is a one-off business with no attendant injection moulding revenue and Sunningdale produces moulds for export and internal use, this could have led to a temporary dip in gross margin to 14.32% in 3Q17 versus the 15.0% achieved in 1Q17 and 15.6% in 2Q17.

### Challenges remain

Sunningdale guides that business sentiment remains subdued and the overall economic landscape continues to present the group with challenges across its global manufacturing operations. Foreign exchange rate volatility and rising labour costs persist, while the group continues to face pricing pressure from customers. The group will continue to focus its efforts on boosting productivity and enhancing operational efficiency to counter these challenges.

### Cautiously optimistic outlook in FY18

The group's new manufacturing facility in Penang, Malaysia is scheduled to be completed by end-1QCY18. With new project wins from both new and existing customers, the group is also adding capacity at its latest manufacturing plant in Chuzhou, China. Sunningdale continues to receive business enquiries to handle projects from both new and existing customers. The group remains cautiously optimistic as it executes its strategy of building a sustainable and profitable business model for the long-term.

### Maintain Add, with a lower target price

Factoring in the higher operating expenses leads to a 2.9%-10.0% decrease in our core EPS forecasts. Our target P/BV multiple falls to 1.33x FY18F (versus 1.36x previously), reflecting the new ROE of 10.3% versus 10.5% previously. COE remains at 7.7% with zero growth assumption. On an FY18F BVPS of S\$2.10, our new target price is S\$2.79. Maintain Add, with better cost management as potential catalysts. A slowdown in customer orders remains a key downside risk.

#### Financial Summary

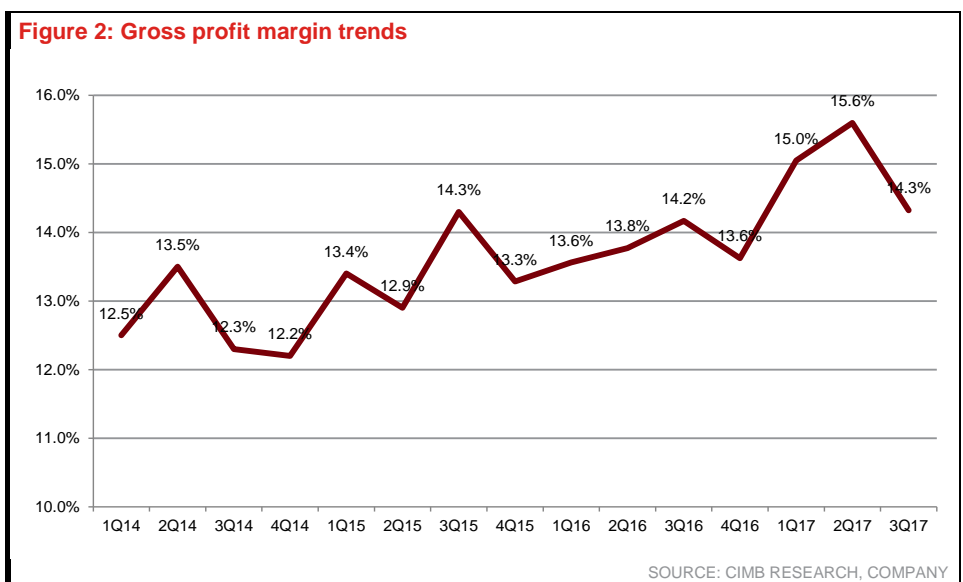
	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (S\$m)	674.5	684.5	715.9	756.9	798.4
Net Profit (S\$m)	42.10	39.07	34.05	40.50	44.00
Core EPS (S\$)	0.24	0.21	0.18	0.22	0.23
Core EPS Growth	55.1%	(8.7%)	(15.6%)	18.9%	8.7%
FD Core P/E (x)	9.57	10.45	12.43	10.45	9.62
Price To Sales (x)	0.62	0.62	0.59	0.56	0.53
DPS (S\$)	0.050	0.060	0.076	0.086	0.086
Dividend Yield	2.22%	2.67%	3.36%	3.82%	3.84%
EV/EBITDA (x)	6.76	6.67	4.98	4.07	3.45
P/FCFE (x)	16.9	107.2	8.9	9.6	8.7
Net Gearing	(0.3%)	(4.0%)	(11.4%)	(18.3%)	(24.7%)
P/BV (x)	1.27	1.20	1.14	1.07	1.00
ROE	13.8%	11.8%	9.4%	10.6%	10.8%
% Change In Core EPS Estimates			(10.00%)	(3.21%)	(2.93%)
CIMB/consensus EPS (x)			0.89	0.99	1.00

SOURCE: COMPANY DATA, CIMB FORECASTS

**Figure 1: Results summary**

FYE Dec (S\$ m)	3QFY17	3QFY16	yoy % chg	qoq % chg	3QFY17 Cum	3QFY16 Cum	yoy % chg	Prev FY17F	Comments
Revenue	188	172	9.1	6.0	538	500	7.4	716	In line; all business segments grew yoy.
Operating costs	(170)	(151)	12.3	6.4	(483)	(452)	6.9	(637)	In line.
EBITDA	18	21	(14.1)	1.8	55	49	12.0	79	
EBITDA margin (%)	10	12	(21.2)	(3.9)	10	10	4.2	11	Due to unrealised exchange losses of S\$3.1m.
Depn & amort.	(8)	(8)	(1.6)	2.2	(22)	(24)	(4.9)	(35)	In line.
EBIT	11	13	(21.2)	1.6	32	25	27.7	44	Lower.
Interest expense	(1)	(1)	1.5	11.0	(2)	(3)	(13.2)	(3)	
Interest income	0	0	(39.7)	(91.5)	0	0	(35.4)	5	
Associates' contrib	0	0	25.0	46.6	1	1	4.8	1	
Exceptionals & other	-	-	na	na	-	-	na	-	
Pretax profit	10	13	(22.1)	(6.3)	31	23	31.0	47	
Tax	(2)	(3)	(14.1)	(7.8)	(7)	(6)	19.4	(10)	
Tax rate (%)	23.4	21.2	10.3	(1.6)	23	25	(8.8)	22.0	
Minority interests	-	-	na	na	-	-	na	-	
<b>Net profit</b>	<b>8</b>	<b>10</b>	<b>(24.2)</b>	<b>(5.9)</b>	<b>24</b>	<b>18</b>	<b>34.8</b>	<b>37</b>	<b>Lower due to unrealised exchange losses</b>
<b>Core net profit</b>	<b>8</b>	<b>10</b>	<b>(24.2)</b>	<b>(5.9)</b>	<b>24</b>	<b>18</b>	<b>34.8</b>	<b>37</b>	
EPS (cts)	4	5	(24.8)	(5.9)	13	9	33.5	19	
Core EPS (cts)	4	5	(24.8)	(5.9)	13	9	33.5	19	

SOURCE: CIMB RESEARCH, COMPANY



**Figure 3: Earnings revisions**

(S\$m)	2016			2017F			2018F			2019F		
	Old	New	% chg	Old	New	% chg	Old	New	% chg	Old	New	% chg
Revenue	684.5	715.9	0.0	756.9	756.9	0.0	798.4	798.4	0.0			
EBITDA	61.3	79.2	(3.3)	86.2	86.2	(0.0)	92.5	92.5	0.0			
Net profit	39.7	36.5	(6.7)	40.5	40.5	(0.0)	44.0	44.00	0.0			
Core EPS (S\$)	0.22	0.20	(10.0)	0.22	0.22	(3.2)	0.24	0.23	(2.9)			

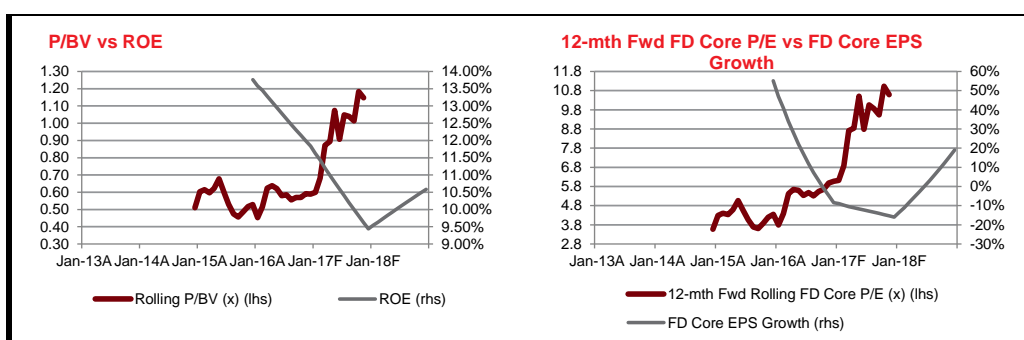
SOURCES: CIMB, COMPANY REPORTS

Figure 4: Peer comparison

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x)		P/BV (x)		Recurring ROE (%)	Dividend Yield (%)
						CY18F	CY19F	CY18F	CY18F	CY18F	CY18F
Sunningdale Tech Ltd	SUNN SP	ADD	2.25	2.79	310.7	10.5	9.6	1.07		10.6%	3.8%
UMS Holdings Ltd	UMSH SP	Add	1.03	1.13	403.7	11.6	12.0	2.51		22.4%	5.9%
Venture Corporation	VMS SP	Add	21.20	24.74	4,424.5	16.6	14.8	2.59		16.3%	2.8%
Memtech International	MTEC SP	Add	1.13	1.16	116.4	10.3	8.5	0.95		9.5%	3.9%
Valuetronics Holdings Ltd	VALUE SP	Add	1.04	1.02	326.1	12.2	11.1	2.21		19.0%	3.7%
CEI Limited	CEI SP	Add	1.03	1.08	65.3	9.3	8.6	2.12		23.2%	9.7%
Fu Yu Corp Ltd	FUYU SP	NR	0.22	NA	121.7	11.0	11.0	0.96		7.2%	4.5%
Hi-P International Ltd	HIP SP	NR	1.90	NA	1,127.4	14.6	na	2.53		18.2%	0.8%
<b>Simple average (all co)</b>						<b>12.0</b>	<b>10.8</b>	<b>1.87</b>		<b>15.8%</b>	<b>4.4%</b>

SOURCE: CIMB RESEARCH, COMPANY

## BY THE NUMBERS



### Profit & Loss

(\$m)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
<b>Total Net Revenues</b>	<b>674.5</b>	<b>684.5</b>	<b>715.9</b>	<b>756.9</b>	<b>798.4</b>
<b>Gross Profit</b>	<b>124.7</b>	<b>125.6</b>	<b>142.1</b>	<b>152.4</b>	<b>162.1</b>
<b>Operating EBITDA</b>	<b>61.8</b>	<b>61.3</b>	<b>76.5</b>	<b>86.2</b>	<b>92.5</b>
Depreciation And Amortisation	(33.8)	(31.1)	(34.8)	(37.4)	(40.0)
<b>Operating EBIT</b>	<b>28.0</b>	<b>30.2</b>	<b>41.7</b>	<b>48.8</b>	<b>52.5</b>
Financial Income/(Expense)	(3.4)	(2.5)	(3.0)	(2.5)	(2.5)
Pretax Income/(Loss) from Assoc.	0.9	0.9	0.9	0.9	0.9
Non-Operating Income/(Expense)	17.3	18.6	4.0	4.0	4.0
<b>Profit Before Tax (pre-EI)</b>	<b>44.5</b>	<b>48.8</b>	<b>43.6</b>	<b>51.2</b>	<b>54.9</b>
Exceptional Items	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>42.8</b>	<b>47.2</b>	<b>43.6</b>	<b>51.2</b>	<b>54.9</b>
Taxation	(0.7)	(8.2)	(9.6)	(10.7)	(10.9)
Exceptional Income - post-tax	0.0	0.0	0.0	0.0	0.0
<b>Profit After Tax</b>	<b>42.1</b>	<b>39.1</b>	<b>34.0</b>	<b>40.5</b>	<b>44.0</b>
Minority Interests	0.0	0.0	0.0	0.0	0.0
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax	0.0	0.0	0.0	0.0	0.0
Other Adjustments - post-tax	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>42.1</b>	<b>39.1</b>	<b>34.0</b>	<b>40.5</b>	<b>44.0</b>
Recurring Net Profit	43.7	40.4	34.0	40.5	44.0
<b>Fully Diluted Recurring Net Profit</b>	<b>43.7</b>	<b>40.4</b>	<b>34.0</b>	<b>40.5</b>	<b>44.0</b>

### Cash Flow

(\$m)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	61.81	61.34	76.51	86.20	92.50
Cash Flow from Inv. & Assoc.	0.00	0.00	0.00	0.00	0.00
Change In Working Capital	(3.14)	(10.81)	11.26	(6.41)	(6.59)
(Incr)/Decr in Total Provisions	0.00	0.00	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	0.00	0.00	0.00	0.00	0.00
Other Operating Cashflow	14.40	11.00	(2.40)	3.20	3.80
Net Interest (Paid)/Received	(3.36)	(2.50)	(3.00)	(2.50)	(2.50)
Tax Paid	(2.52)	(6.18)	(10.37)	(10.56)	(12.58)
<b>Cashflow From Operations</b>	<b>67.19</b>	<b>52.84</b>	<b>72.00</b>	<b>69.94</b>	<b>74.64</b>
Capex	(24.05)	(36.03)	(35.00)	(26.00)	(26.00)
Disposals Of FAs/subsidiaries	1.10	8.30	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	(1.17)	0.00	0.00	0.00	0.00
Other Investing Cashflow	0.00	0.00	0.00	0.00	0.00
<b>Cash Flow From Investing</b>	<b>(24.12)</b>	<b>(27.73)</b>	<b>(35.00)</b>	<b>(26.00)</b>	<b>(26.00)</b>
Debt Raised/(repaid)	(18.33)	(21.18)	10.43	0.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00	0.00
Dividends Paid	(7.42)	(9.34)	(8.66)	(14.21)	(16.17)
Preferred Dividends	0.00	0.00	0.00	0.00	0.00
Other Financing Cashflow	0.60	4.40	0.00	0.00	0.00
<b>Cash Flow From Financing</b>	<b>(25.15)</b>	<b>(26.11)</b>	<b>1.77</b>	<b>(14.21)</b>	<b>(16.17)</b>
Total Cash Generated	17.93	(1.00)	38.77	29.73	32.46
<b>Free Cashflow To Equity</b>	<b>24.75</b>	<b>3.93</b>	<b>47.44</b>	<b>43.94</b>	<b>48.64</b>
<b>Free Cashflow To Firm</b>	<b>47.09</b>	<b>28.11</b>	<b>40.30</b>	<b>46.94</b>	<b>51.64</b>

SOURCE: CIMB RESEARCH, COMPANY DATA

## BY THE NUMBERS... cont'd

### Balance Sheet

(\$m)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	121.1	115.3	154.1	183.8	216.3
Total Debtors	168.1	194.4	176.5	186.6	196.9
Inventories	106.2	114.9	116.7	123.1	129.7
Total Other Current Assets	4.4	7.7	5.0	5.0	5.0
<b>Total Current Assets</b>	<b>399.7</b>	<b>432.3</b>	<b>452.3</b>	<b>498.6</b>	<b>547.8</b>
Fixed Assets	186.9	191.6	193.5	183.9	171.6
Total Investments	5.5	5.3	6.2	7.1	8.0
Intangible Assets	18.9	17.4	15.7	12.7	12.7
Total Other Non-Current Assets	1.9	1.9	1.6	1.6	1.6
<b>Total Non-current Assets</b>	<b>213.2</b>	<b>216.2</b>	<b>217.1</b>	<b>205.3</b>	<b>193.9</b>
Short-term Debt	74.0	67.6	70.4	70.4	70.4
Current Portion of Long-Term Debt	0.0	0.0	0.0	0.0	0.0
Total Creditors	150.5	183.9	176.5	186.6	196.9
Other Current Liabilities	2.3	3.9	2.8	2.8	2.8
<b>Total Current Liabilities</b>	<b>226.8</b>	<b>255.4</b>	<b>249.7</b>	<b>259.8</b>	<b>270.0</b>
Total Long-term Debt	46.0	33.8	41.4	41.4	41.4
Hybrid Debt - Debt Component	0.0	0.0	0.0	0.0	0.0
Total Other Non-Current Liabilities	0.0	0.0	0.0	0.0	0.0
<b>Total Non-current Liabilities</b>	<b>46.0</b>	<b>33.8</b>	<b>41.4</b>	<b>41.4</b>	<b>41.4</b>
Total Provisions	9.6	8.1	7.9	7.9	7.9
<b>Total Liabilities</b>	<b>282.3</b>	<b>297.2</b>	<b>299.0</b>	<b>309.1</b>	<b>319.4</b>
Shareholders' Equity	330.6	351.3	370.4	394.7	422.4
Minority Interests	0.0	0.0	0.0	0.0	0.0
<b>Total Equity</b>	<b>330.6</b>	<b>351.3</b>	<b>370.4</b>	<b>394.7</b>	<b>422.4</b>

### Key Ratios

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	41.8%	1.5%	4.6%	5.7%	5.5%
Operating EBITDA Growth	64.9%	(0.8%)	24.7%	12.7%	7.3%
Operating EBITDA Margin	9.2%	9.0%	10.7%	11.4%	11.6%
Net Cash Per Share (S\$)	0.01	0.07	0.22	0.38	0.56
BVPS (S\$)	1.77	1.87	1.97	2.10	2.25
Gross Interest Cover	7.39	10.59	12.65	16.28	17.51
Effective Tax Rate	1.7%	17.3%	22.0%	21.0%	19.9%
Net Dividend Payout Ratio	21.3%	21.3%	41.7%	39.9%	37.0%
Accounts Receivables Days	87.88	96.91	94.56	87.56	87.66
Inventory Days	71.50	72.41	73.68	72.39	72.51
Accounts Payables Days	96.9	109.5	114.6	109.6	110.0
ROIC (%)	8.7%	9.5%	12.3%	14.8%	16.2%
ROCE (%)	6.7%	7.0%	8.8%	9.8%	10.0%
Return On Average Assets	7.79%	6.84%	5.62%	6.26%	6.43%

### Key Drivers

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP Change (% , Main Product)	80.2%	12.0%	7.0%	10.0%	9.0%
Unit sales growth (% , main prod)	N/A	N/A	N/A	N/A	N/A
No. Of Lines (main Product)	N/A	N/A	N/A	N/A	N/A
Rev per line (US\$, main prod)	N/A	N/A	N/A	N/A	N/A
ASP chg (% , 2ndary prod)	27.5%	1.6%	2.5%	2.5%	2.5%
Unit sales grth (% , 2ndary prod)	N/A	N/A	N/A	N/A	N/A
No. Of Lines (secondary Product)	N/A	N/A	N/A	N/A	N/A
Rev per line (US\$, 2ndary prod)	N/A	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

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#01

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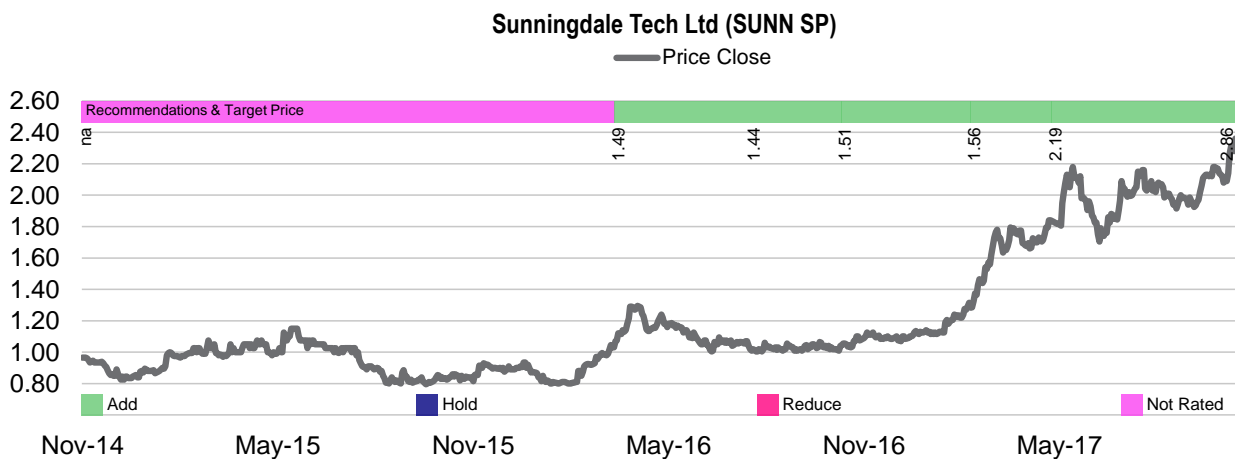
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Add	53.5%	4.3%
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Reduce	9.7%	0.2%

**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 2017, Anti-Corruption 2017

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#### Sector Ratings

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.