

## MONEY TALK

### Sunningdale Tech Ltd. (SUNN SP)

#### Best Value Under The Sun

The recent Spindex offer signals increasing M&A attractiveness of automotive precision engineering firms like Sunningdale. Enjoying high entry barriers and customer stickiness, the firm is one of the world's top precision plastic companies. With market-leading capabilities, Sunningdale is well positioned to meet growing industry trends that require greater complexities. It boasts healthy cash flow, a solid balance sheet, consistently increasing dividend and compelling valuations. Initiate coverage with a BUY and PE-based target price of S\$1.83.

#### INVESTMENT HIGHLIGHTS

- **Initiate coverage with a BUY and PE-based target price of S\$1.83.** Despite our conservative earnings forecasts, Sunningdale Tech (Sunningdale) is trading at a compelling 8.1x FY17 PE with an attractive dividend yield of 4.8% for FY17.
- **A potential M&A target.** With the recent M&As for precision engineering firms with substantial automotive exposure (Spindex and Innovalues), Sunningdale is the only large precision plastic player left on the SGX that fits the bill. Generating substantial free cash flow with a solid balance sheet, we believe Sunningdale fills the M&A profile well at compelling valuations.
- **One of the top global players with a diversified customer base.** Founded 30 years ago, Sunningdale operates in 10 countries, making it a truly global force in the plastics industry. It is one of the top global players with production facilities spread across the globe, allowing for better proximity to customers. The company boasts of diversified customer base and revenue streams, which reduces its reliance on any one single customer.
- **High entry barriers and customer stickiness.** The precision engineering segment has high entry barriers due to the technical know-how involved. In addition, the segment requires intensive capital investment followed by large reinvestment needed to keep up with new developments in a constantly evolving industry. Long lead time before entrants are qualified and multi-year contract awards make for high customer stickiness. Combined with Sunningdale's 30-year track record and scale, this gives it a natural economic moat.
- **Integrated market-leading moulding capabilities position it well to meet growing industry trends that require increasing complexity.** While the industry outlook is positive, we believe automotive and medical usage of precision plastics will increase in complexity. Sunningdale employs more than 200 designers with 10,000sqm of mould manufacturing area in Singapore and China and supports no less than 2,000 moulds fabricated each year. The fully integrated CAD/CAM design and engineering process is capable of producing complex designs, positioning Sunningdale well for the growing automotive and medical healthcare segments.
- **Strong cash flow and S\$15.5m net cash position supports growing dividends.** Supported by strong free cash and a solid balance sheet (net cash of S\$15.5m at 31 Dec 16, or 6% of market cap), Sunningdale has been raising dividends paid to shareholders throughout the years. We expect a 6.5 cent/share dividend for FY17, translating into an attractive yield of 4.8%.

#### KEY FINANCIALS

Year to 31 Mar (S\$m)	2015	2016	2017F	2018F	2019F
Net Turnover	674.5	684.5	712.4	741.6	772.1
EBITDA	80.0	81.4	76.8	78.3	78.9
EBIT	47.9	51.8	44.8	48.0	49.7
Net Profit	42.1	39.1	32.2	34.8	36.1
Adjusted Net Profit	23.6	31.7	32.2	34.8	36.1
Adjusted EPS (cent)	12.4	16.5	16.8	18.1	18.8
Adjusted PE (x)	11.0	8.3	8.1	7.5	7.2
P/B (x)	0.8	0.7	0.7	0.7	0.6
Dividend Yield (%)	3.7	4.4	4.8	5.1	5.5
PATMI Margin (%)	3.5	4.6	4.5	4.7	4.7
Net Debt(cash) to Equity (%)	1.6	(3.9)	(10.9)	(15.8)	(20.3)
Interest cover (x)	11.9	14.7	12.7	13.6	14.1
ROE (%)	7.1	9.4	9.4	9.3	9.2

Source: Bloomberg, UOB Kay Hian

## BUY

### (Initiate Coverage)

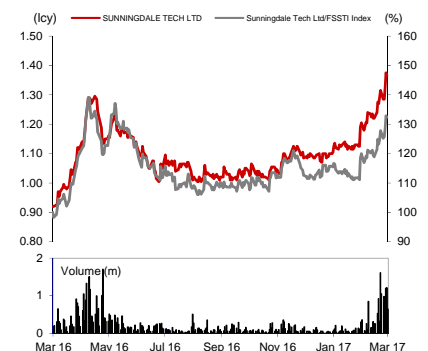
Share Price	S\$1.365
Target Price	S\$1.83
Upside	34.1%

#### COMPANY DESCRIPTION

Sunningdale is a leading Asian tooling, plastics injection moulding and precision assembly company. The company has operations in nine countries and nineteen locations around the world.

GICS sector	Industrials
Bloomberg ticker:	SUNN SP
Shares issued (m):	188.1
Market cap (S\$m):	256.7
Market cap (US\$m):	181.5
3-mth avg t'over (US\$m):	0.2

#### PRICE CHART



Source: Bloomberg

#### ANALYSTS

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## Valuation

**Initiate coverage with a BUY and PE-based target price of S\$1.83**, pegged to peers' FY17F average PE of 11.0x. We conservatively project 3-year (FY16-19) net profit CAGR of 4.4% on the back of: a) continued growth of 5% in the automotive segment which accounted for about 45% of total sales in FY16, b) margin improvements through further automation, and c) a transition into more complex higher-value activities. We see room for further price upside from better-than-expected utilisation and margins. Our target implies a historical FY16 price to book ratio of 1.0x. Should a privatization happen, we would likely see further upside to our target price as Spindex, Innovalues and Chosen were privatized at above historical book valuation.

FIGURE 1: PEER COMPARISON






Company	Ticker	Trading Curr (S\$)	Price @ 2 Mar 17 (S\$m)	Mkt Cap (US\$m)	FY	----- PE -----		----- P/B -----		Yield 2018F (%)	ROE 2018F (%)
						2017F (x)	2018F (x)	2017F (x)	2018F (x)		
Venture Corp	VMS SP	S\$	11.13	2,199	Dec 16	15.6	14.3	1.5	1.5	4.6	10.6
Hi-P International	HIP SP	S\$	0.535	306	Dec 16	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Ums Holdings	UMSH SP	S\$	0.69	210	Dec 16	11.5	11.0	1.5	1.5	8.0	13.8
Valuetronics Holdings	VALUE SP	S\$	0.685	185	Mar 16	9.7	9.0	1.5	1.4	5.8	15.3
Fu Yu Corp	FUYU SP	S\$	0.205	109	Dec 16	10.3	10.3	0.9	0.9	9.8	8.0
Fischer Tech	FISC SP	S\$	1.9	75	Mar 16	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Memtech International	MTEC SP	S\$	0.635	63	Dec 16	7.9	6.6	0.5	0.5	6.9	7.9
<b>Average</b>						<b>11.0</b>	<b>10.2</b>	<b>1.2</b>	<b>1.2</b>	<b>7.0</b>	<b>11.1</b>
Sunningdale Tech	SUNN SP	S\$	1.375	183	Dec 16	8.1	7.5	0.7	0.7	5.1	9.3

Note: If year-end is before Mar, figures are in shown in the previous period  
Source: Bloomberg, UOB Kay Hian

## Investment Highlights

**Acquisition targets: Precision engineering companies with significant automotive exposure.** On 9 Feb 17, Spindex announced it was the target of a takeover at S\$0.85/share. Other than Spindex, other precision engineering companies in the region are also targets of acquisitions. From IPE Group in Hong Kong to SGX-listed Innovalues and Chosen, there is growing interest to privatise profitable companies that offer deep value. However, other than their precision engineering business, these companies share one common trait - all have significant exposure to the growing automotive market.




FIGURE 2: PRECISION ENGINEERING FIRMS WITH SIGNIFICANT AUTOMOTIVE EXPOSURE

	Sunningdale Tech  SunningdaleTech	Spindex Industries 	Innovalues  Precision Parts, Precision Partnerships.	Chosen Holdings 	IPE Group 
<b>Company Description</b>	Sunningdale Tech manufactures and sells mold and plastic injection products. The company also designs, manufactures, markets, and exports high precision steel moulds. Sunningdale Tech trades car audio equipment and provides product design consultancy, mold flow service, mold design, and project management.	Spindex Industries manufactures, imports, exports and deals in mechanical, electrical, and electronic parts. The company also manufactures and trades precision machine parts, plastic molds and injections, and other related plastic and engineering materials.	Innovalues manufactures and assembles precision machined parts and components and electronics and mechanical devices, and plates metals. The company also trades in machine tools and accessories.	Chosen Holdings' integrated manufacturing solutions comprise product design and development; mold design and fabrication; and precision plastic injection molding, including conventional, insert, vertical, multicomponent, and controlled environment molding for a range of products in various product segments.	IPE Group, through subsidiaries, manufactures and sells precision metal components. The products are mainly used in hard disk drives (HDDs), hydraulic equipment, fiber optic connectors, electronic devices, and other industrial products.
<b>Segment Served and % of Revenue</b>	<ul style="list-style-type: none"> <li>Automotive (36%)</li> <li>Consumer/IT (40%)</li> <li>Healthcare (7%)</li> <li>Mould Fabrication (17.2)</li> </ul>	<ul style="list-style-type: none"> <li>Machinery and Automotive Systems (48%)</li> <li>Imaging and Printing (26%)</li> <li>Others (26%)</li> </ul>	<ul style="list-style-type: none"> <li>Automotive (79%)</li> <li>Office Automation (21%)</li> <li>Others (0%)</li> </ul>	<ul style="list-style-type: none"> <li>Automotive</li> <li>Medical</li> <li>Consumer/IT</li> <li>Printing and Imaging</li> </ul> <i>(Segment breakdown not provided)</i>	<ul style="list-style-type: none"> <li>Hard Disk Drive (HDD) Components (29%)</li> <li>Hydraulic Equipment Components (28%)</li> <li>Automotive Components (36%)</li> <li>Others (7%)</li> </ul>
<b>Factory Locations</b>	China, Thailand, Malaysia, Indonesia, India, Mexico, Latvia, Brazil	Malaysia, China	Malaysia, China, Thailand	Malaysia, China, Thailand	China, Thailand
<b>Market Cap (US\$m)</b>	163.1	70.0	n.a.	n.a.	271.1

Source: Capital IQ, Respective companies, UOB Kay Hian

**M&A waiting to happen.** At current price, Sunningdale offers deep value and this positions it as a potential M&A target. Similar to its SGX peers, Sunningdale has a solid balance sheet and a history of strong free cash flow generation. We note that offer prices were at 18-27% premiums to those companies' 3-month VWAP and last transacted share prices.

**FIGURE 3: RECENT OFFERS FOR SGX LISTED PRECISION ENGINEERING FIRMS**

	Spindex Industries 	Innovalues  Precision Parts, Precision Partnerships.	Chosen Holdings 
Date Announced	9 Feb 17	26 Oct 16	2 Sep 15
Offered Price (S\$)	0.85	1.01	0.24
Offer Price/EPS (x) (Based on trailing 12 months before offer date)	9.32	15.76	17.52
Offer Price/Book Value (x) (Based on last financial results before offer date)	1.05	3.70	1.01
Net Debt/(Cash) to Equity (%) (Based on last financial results before offer date)	-33.5	-34.5	-21.2
Remarks	<ul style="list-style-type: none"> <li>• 21.4% premium over last transacted price of S\$0.70</li> <li>• 23.4% premium over 3-month VWAP of S\$0.689</li> </ul>	<ul style="list-style-type: none"> <li>• 21.6% premium to 3-month VWAP up to 6 Apr 16</li> <li>• 18.1% premium to the closing price on 30 Sep 16, being the last trading day prior to the date on which Innovalues announced that discussions on a possible transaction are still ongoing</li> </ul>	<ul style="list-style-type: none"> <li>• 21% premium to last transacted price of S\$0.198</li> <li>• 27% premium to 3-month VWAP of S\$0.189</li> </ul>
Status	<ul style="list-style-type: none"> <li>• Pending share-count condition</li> <li>• Pending headcount condition</li> <li>• Pending court approval</li> </ul>	<ul style="list-style-type: none"> <li>• Suspended.</li> <li>• Expected date of delisting: 17 Mar 17</li> </ul>	<ul style="list-style-type: none"> <li>• Delisted on 2 Dec 15</li> </ul>

Source: Respective companies, UOB Kay Hian

**Global presence and diversified customer base.** One of Sunningdale's most attractive attributes is its global presence which gives it better proximity to customers. The company is headquartered in Singapore with a presence in 4 continents, 9 countries and 18 locations. Sunningdale's enlarged manufacturing footprint has resulted in a diversified blue-chip customer base with 80% of its revenue derived from the top 30 customers. In terms of revenue post the acquisition of First Engineering, Sunningdale is comparable to some of the largest international injection moulding companies in the world. This allows it compete more competitively due to its size as well as command better terms with suppliers.

FIGURE 4: GLOBAL PRESENCE



Source: Sunningdale

FIGURE 5: TOP NORTH AMERICAN INJECTION MOLDERS

North American Top Injection Molders By Revenue		
Rank	Company	Sales (US\$m)
1	Grupo Antolin North America	2,640
2	IAC	1,947
3	Berry Plastics Corp.	1,400
4	SRG Global Inc.	1,080
5	Newell Brands Inc.	950
6	AptarGroup Inc.	730
7	Nypro Inc.	690
8	U.S. Farathane Corp.	610
9	BWay Corp	590
10	Lacks Enterprises Inc.	550
11	Sterilite Corp.	500
12	Illinois Tool Works Inc.	485

Source: Plastics News, UOB Kay Hian

Sunningdale FY16 revenue  
S\$684.5m (US\$488.9m)



**Long product life cycles and high entry barriers.** The precision plastic segment has high entry barriers due to the technical knowledge involved and intensive capital requirements. In addition, contracts tend to be fairly long term in all of Sunningdale's three segments.

**FIGURE 6: UOBKH ESTIMATES FOR PRODUCT LEAD TIME AND CONTRACT LENGTH**

Segment	Lead Time	Contract Length
Automotive	2 years	5-7 years
Healthcare	>2 years	10-15 years
Consumer IT	1 year	3 years

Source: UOB Kay Hian

We estimate the automotive segment to have long product life cycles of 5-7 years, similar to that for cars. Given the long lead time and design for manufacturing (DFM) process of about two years, entry barriers are fairly high. We expect automotive projects to have gross margins at a respectable 15-20%. Given the strong automobile markets in the US and China, we expect this segment to offer steady growth opportunities for Sunningdale.

For the medical segment, despite longer gestation period for medical products, Sunningdale has been focusing on this segment due to the higher entry barriers and the ability to command higher margins stemming from the sophisticated engineering capabilities involved. Sunningdale's state-of-the-art manufacturing facilities in Singapore are compliant with the US Food and Drug Administration's (FDA) current good manufacturing practices (cGMP). The cGMP provides for systems that ensure proper design, monitoring and control of manufacturing processes and facilities as the FDA regulates the quality of medical devices very carefully. We expect this segment to be the largest source of growth for Sunningdale, driven by an ageing population in the developed world and higher obesity leading to diabetes and cardiovascular diseases. We expect healthcare projects' gross margins to be a healthy 20-25%.

The consumer segment is a high-volume, low-mix market with the focus on optimising efficiency, minimising scrap rate and competitive pricing. We expect gross margins in this segment to be the lowest, at 10-15%.

**Strong cash flow generation supports consistently growing dividends.** Over the last few years, Sunningdale has been increasing its dividends from 3 cents/share in FY12 to 6 cents in FY16. Although it has no formal dividend policy, the company paid out at least 22% of earnings over the last four years. Its strong operating cash flow generation supports the growing dividends. As its cash balance continues to grow, we believe there is even more room for dividends to grow or for a special dividend in the future.

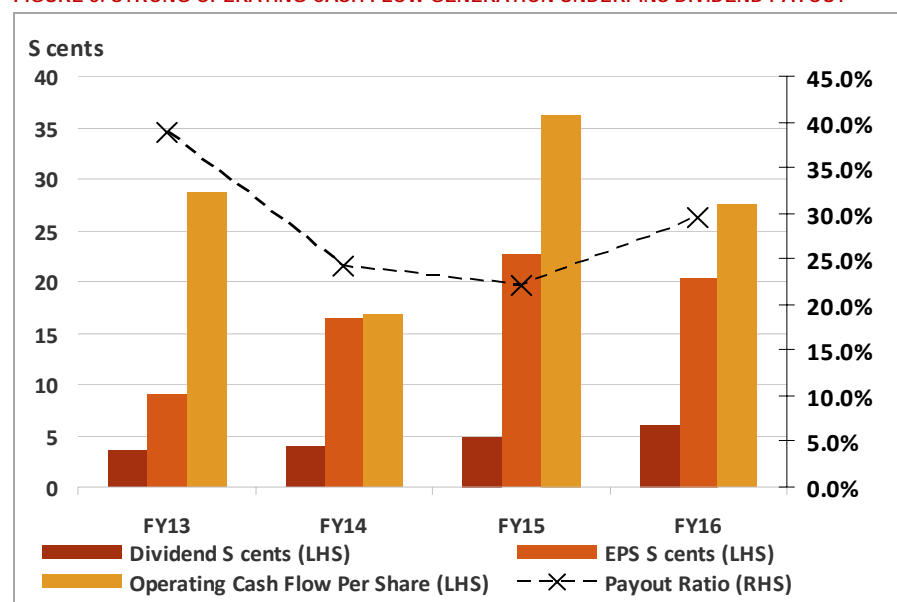
**FIGURE 7: DIVIDENDS GROWING OVER THE YEARS**

	FY13	FY14	FY15	FY16
EPS (cent)	9.0	16.5	22.7	20.4
Payout ratio (%)	38.9	24.3	22.0	29.4
Dividend per share (cent)	3.5	4.0	5.0	6.0
Dividend yield (%)	2.6	3.0	3.7	4.4

Note: Dividend yield based on share price of S\$1.35

Source Sunningdale, UOB Kay Hian

**FIGURE 8: STRONG OPERATING CASH FLOW GENERATION UNDERPINS DIVIDEND PAYOUT**

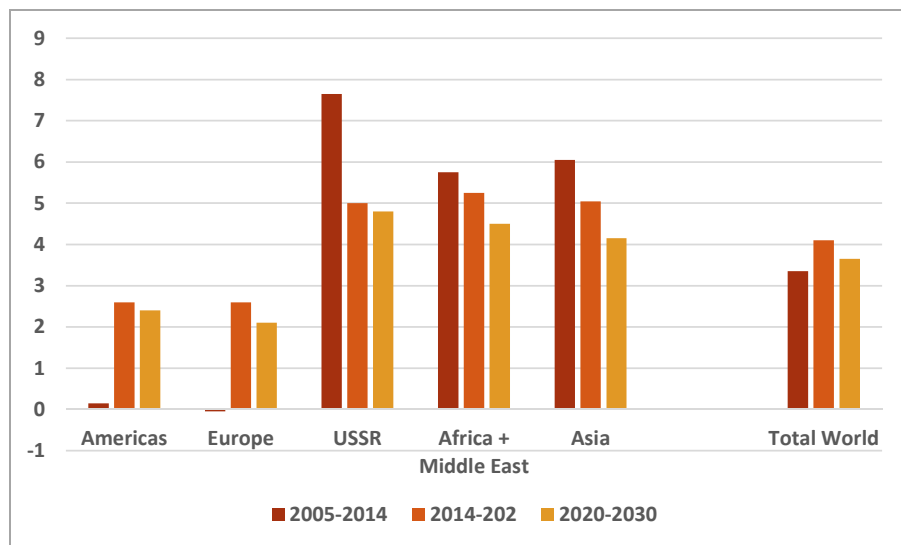


Source Sunningdale, UOB Kay Hian

Industry

**Global revenue of injection moulded plastics to grow 5% in 2014-22.** According to ICIS, global consumption of thermoplastics is expected to continue growing healthily at a CAGR of around 4% in 2014-20. Strong growth rates will be seen in developing regions such as Asia (~5%) compared with mature markets such as the Americas (~2.5%). This is in line with growth in the global injection moulded plastics (precision plastics) market. Grand View Research states that global injection moulded plastics demand will grow from 95.91m tons in 2014 to 133.63m tons by 2022, or a CAGR of 4.2%. Revenue-wise, the market will grow at a CAGR of around 5% from US\$199.86b in 2014 to US\$295.89b by 2022.

FIGURE 9: MAJOR THERMOPLASTICS – WORLD CONSUMPTION GROWTH RATE BY REGION

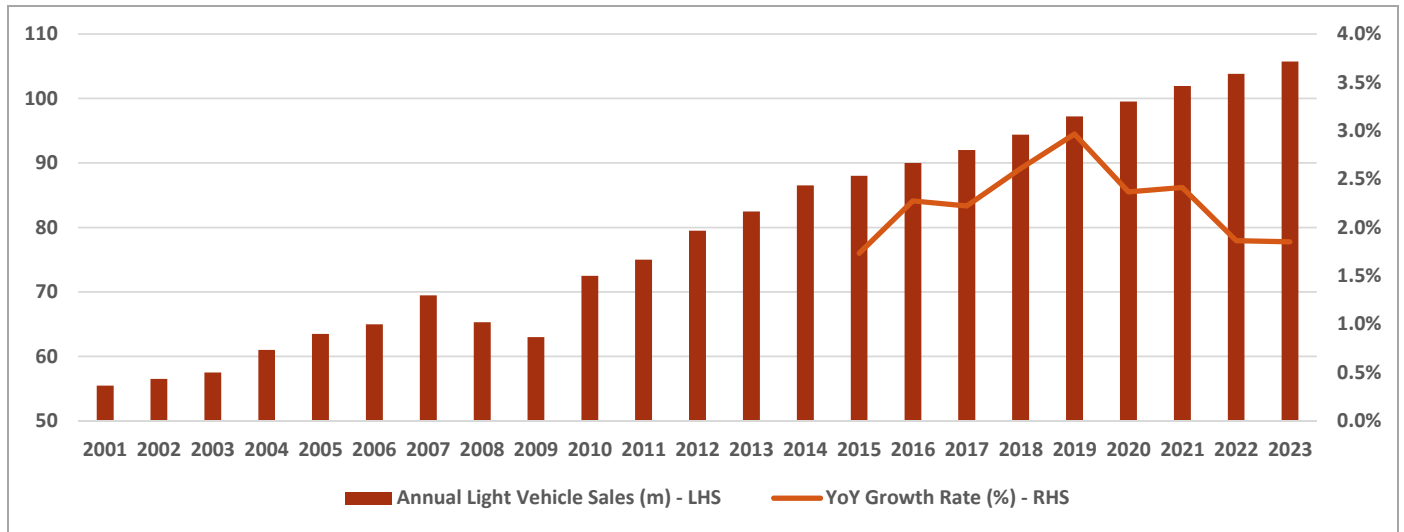


Source: ICIS Supply and Demand Database

**Automotive revenue growth of 5.7% fastest among segments.** Segment-wise, Global Market Insights expects injection moulded plastic revenue for automotive & transportation applications to witness the highest CAGR of over 5.7% from 2017 to 2023. Other than growing car sales (IHS Automotive expects light-vehicle sales to grow 2.5% CAGR in 2014-23), there is also a strong shift towards replacing automotive steel with plastics to improve fuel efficiency and flexibility in design.



FIGURE 10: WORLD LIGHT VEHICLE SALES



Source: IHS Automotive

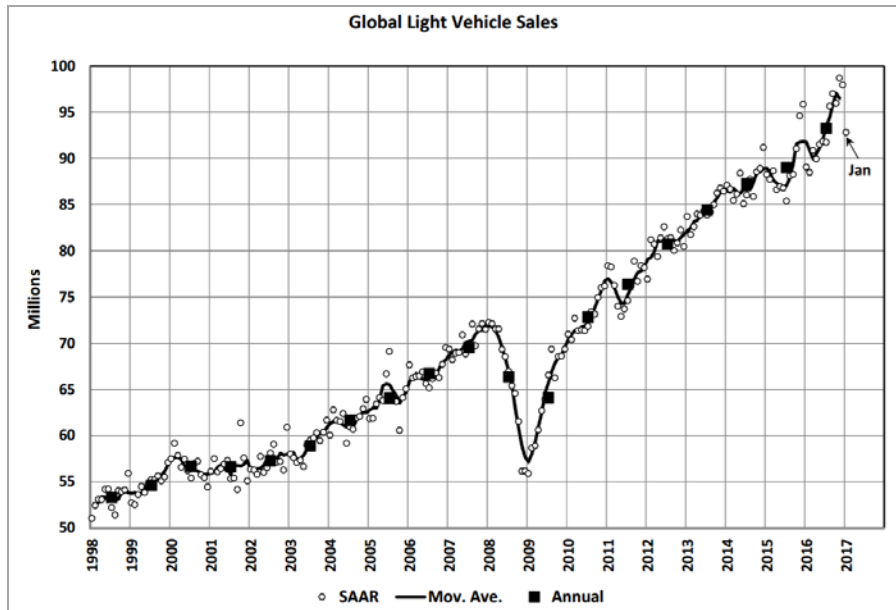
**Jan 17 car sales look to continue from 2016 strong ending.** Continuing from the strong ending in 2016, global light-vehicle sales have been heartening in the beginning of 2017 with LMC Automotive estimating a 4.3% yoy rise in Jan 17. Data indicates that most regions are seeing positive growth rates, led by Western Europe (+10.1% yoy). The only three regions that were flattish include the US (-0.5%), China (0.4%) and Korea (0.4%) with no regions looking at significant negative growth.

FIGURE 11: GLOBAL LIGHT-VEHICLE SALES IN JAN 17

	Sales (units)		
	Jan 17	Jan 16	% chg
World	7,523,573	7,216,720	4.3
USA	1,140,659	1,146,483	-0.5
Canada	110,903	108,424	2.3
Western Europe	1,248,421	1,134,070	10.1
Eastern Europe	230,255	218,135	5.6
Japan	397,633	379,153	4.9
Korea	121,104	120,608	0.4
China	2,555,513	2,545,772	0.4
Brazil / Argentina	233,421	204,230	14.3
Other	1,485,664	1,359,846	9.3

Source: LMC Automotive

FIGURE 12: GLOBAL LIGHT-VEHICLE SALES



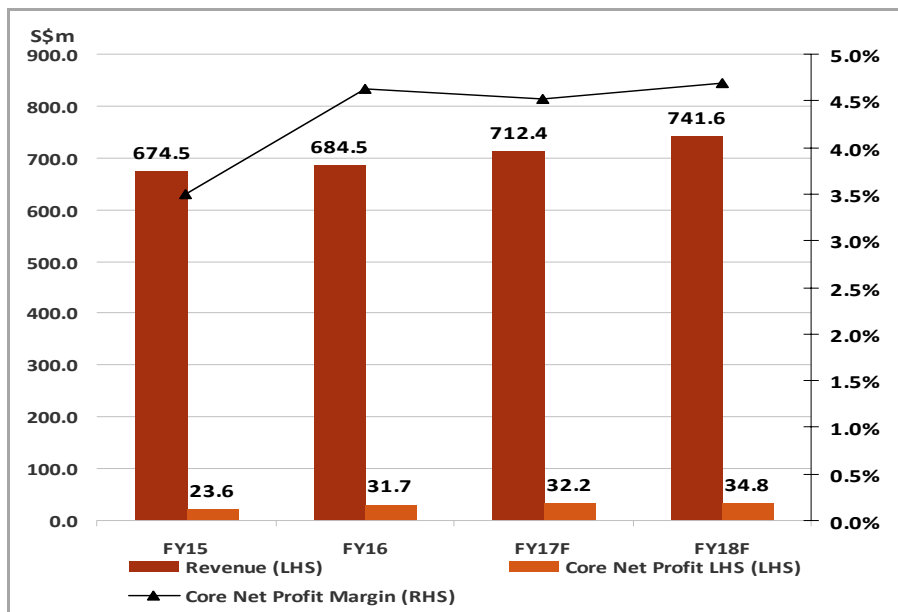
Source: LMC Automotive

**Medical industry holds immense potential.** According to Grand View Research, other than automotive, the medical industry holds immense potential for injection molded plastics. The industry is expected to witness the highest growth in the medical devices & components sector. Biocompatibility, optical clarity and cost-efficient production are projected to drive demand in the medical industry. Stringent regulatory scenario regarding medical grade polymer use in the healthcare sector is anticipated to positively impact growth in the industry. Growing preference towards bio-degradable polymers among medical device manufacturers is also expected to create lucrative opportunities in medical industry. The medical plastics segment is anticipated to grow to reach US\$24.59b by 2022.

## Earnings And Financials

**Expect modest sales growth.** We expect Sunningdale's group revenue growth to be a modest 4-5% each year from FY16-19. We believe the automotive and healthcare segments will continue to be the strongest growth drivers for the group, driven by an ageing population in the developed world, increased instances of obesity and heart diseases and a shift towards replacing automotive steel with plastics to improve fuel efficiency and flexibility in design. We expect automobile revenue to grow at a modest 5% CAGR in FY16-19 and the consumer segment to grow at a conservative 4% CAGR over the same period.

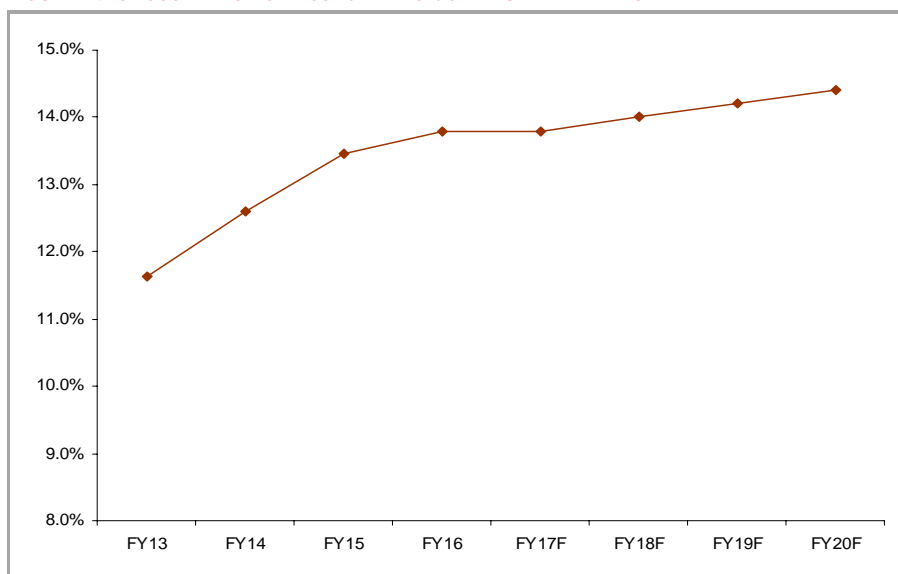
FIGURE 13: HISTORICAL AND PROJECTED REVENUE AND CORE NET PROFIT



Source: Sunningdale, UOB Kay Hian

**Improvement in gross margins.** Gross margins of Sunningdale have been rising steadily from 11.6% in FY13 to 13.8% in FY16. Going forward, we expect Sunningdale to start reaping the benefits of enhanced operational efficiencies and past restructuring exercises which should translate into expansion in gross margins and a leaner cost base.

FIGURE 14: GROSS MARGINS PROJECTED TO CONTINUE EXPANDING



Source: Sunningdale, UOB Kay Hian

## Management

**Koh Boon Hwee, Non-Executive Chairman and Director.** He also serves on the boards of Yeo Hiap Seng, Far East Orchard and AAC Acoustic Technologies Holdings. Mr Koh had previously served as Chairman of DBS Bank, Singapore Airlines, SIA Engineering, Singapore Telecommunications and Omni Industries. He was Managing Director of Hewlett-Packard Singapore where he started his career in 1977. Mr Koh holds a Bachelor of Science from Imperial College, University of London, and a Master of Business Administration from Harvard Business School.

**Khoo Boo Hor, CEO.** Before assuming the role of CEO, he was Sunningdale's Group Operations Director and was responsible for the manufacturing operations. Mr Khoo was previously the Director of Operations for Hewlett-Packard Singapore where he was responsible for Enterprise Storage and Server manufacturing operations. Mr Khoo holds a Bachelor of Science and a Bachelor of Engineering from Monash University as well as a Master of Business Administration from the University of Louisville Kentucky.

## Risks

**Macroeconomic and political.** Global growth remains subdued due to an uncertain macroeconomic and political environment. The group faces pricing pressure from customers together with rising labour cost. Protectionist policies on trade from the new Trump administration could result in a significant decline in sales from North American customers.

**Foreign currency.** Sunningdale's operations are primarily exposed to the US dollar, euro, Hong Kong dollar, Singapore dollar and the renminbi. Sunningdale's financials may be impacted should currency trends turn against it. The group tries to mitigate foreign currency risk through natural hedging by entering into forward currency contracts and borrowing in foreign currencies.

**Raw material costs.** Sunningdale's key raw materials are plastic resins and paints. Plastic resins are derived from petroleum and subject to petroleum prices. We estimate raw materials to account for 50-60% of cost of sales. Should raw material prices rise, the group has the flexibility for renegotiation with customers.

## PROFIT & LOSS

Year to 31 Dec (S\$m)	2015	2016F	2017F	2018F
<b>Net turnover</b>	<b>684.5</b>	<b>712.4</b>	<b>741.6</b>	<b>772.1</b>
EBITDA	81.4	76.8	78.3	78.9
Deprec. & amort.	31.1	33.5	31.8	30.8
EBIT	50.3	43.3	46.5	48.1
Net interest income/(expense)	(3.0)	(3.0)	(3.0)	(3.0)
Associates	-	-	-	-
Other non-recurring items	-	-	-	-
<b>Pre-tax profit</b>	<b>47.2</b>	<b>40.2</b>	<b>43.4</b>	<b>45.1</b>
Tax	(8.2)	(8.0)	(8.7)	(9.0)
Minorities	-	-	-	-
<b>Net profit</b>	<b>39.1</b>	<b>32.2</b>	<b>34.8</b>	<b>36.1</b>

## BALANCE SHEET

Year to 31 Dec (S\$m)	2015	2016F	2017F	2018F
<b>Fixed assets</b>	<b>191.6</b>	<b>184.6</b>	<b>179.4</b>	<b>174.2</b>
Other LT assets	24.6	24.0	23.4	22.8
Cash/ST investment	115.3	131.7	148.6	166.6
Other current assets	317.0	330.0	342.9	356.3
<b>Total assets</b>	<b>648.5</b>	<b>670.3</b>	<b>694.2</b>	<b>719.8</b>
ST debt	67.6	57.6	52.6	48.6
Other current liabilities	187.8	200.4	208.0	215.9
LT debt	32.2	32.2	32.2	32.2
Other LT liabilities	9.6	9.1	9.1	9.1
Shareholders' equity	351.3	371.0	392.4	414.1
Minority interest	-	-	-	-
<b>Total liabilities &amp; equity</b>	<b>648.5</b>	<b>670.3</b>	<b>694.2</b>	<b>719.8</b>

## CASH FLOW

Year to 31 Dec (S\$m)	2015	2016F	2017F	2018F
<b>Operating</b>	<b>52.8</b>	<b>64.5</b>	<b>60.3</b>	<b>60.4</b>
Pre-tax profit	47.2	40.2	43.4	45.1
Tax	(6.2)	(8.0)	(8.7)	(9.0)
Deprec. & amort.	31.1	33.5	31.8	30.8
Working capital changes	(12.6)	(10.1)	(1.4)	(3.9)
Other operating cashflows	(6.7)	8.8	(4.9)	(2.6)
<b>Investing</b>	<b>(27.7)</b>	<b>(25.0)</b>	<b>(25.0)</b>	<b>(24.0)</b>
Capex	(36.0)	(25.0)	(25.0)	(24.0)
Interest and dividend income	1.1	-	-	-
Others	-	-	-	-
Proceeds from sale of assets	7.3	-	-	-
<b>Financing</b>	<b>(26.1)</b>	<b>(22.5)</b>	<b>(18.4)</b>	<b>(18.4)</b>
Dividend payments	(9.3)	(12.5)	(13.4)	(14.4)
Issue of shares	-	-	-	-
Proceeds from borrowings	(21.2)	(10.0)	(5.0)	(4.0)
Others/interest paid	4.4	-	-	-
<b>Net cash inflow (outflow)</b>	<b>(1.0)</b>	<b>17.0</b>	<b>16.9</b>	<b>18.0</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>114.8</b>	<b>113.0</b>	<b>130.1</b>	<b>146.9</b>
Changes due to forex impact	(0.8)	-	-	-
<b>Ending cash &amp; cash equivalent</b>	<b>113.0</b>	<b>130.1</b>	<b>146.9</b>	<b>164.9</b>

## KEY METRICS

Year to 31 Dec (%)	2015	2016F	2017F	2018F
<b>Profitability</b>				
EBITDA margin	11.9	10.8	10.6	10.2
Pre-tax margin	6.9	5.6	5.9	5.8
Net margin	4.6	4.5	4.7	4.7
ROA	4.9	4.8	5.0	5.0
ROE	9.0	8.7	8.9	8.7
<b>Growth</b>				
Turnover	1.5	4.1	4.1	4.1
EBITDA	1.7	(5.6)	1.9	0.9
Pre-tax profit	10.3	(14.8)	8.0	3.8
Net profit	(7.2)	(17.6)	8.0	3.8
Net profit (adj.)	34.3	1.5	8.0	3.8
EPS	32.9	1.5	8.0	3.8
<b>Leverage</b>				
Debt to total capital	24.9	23.0	22.0	21.2
Debt to equity	28.4	24.2	21.6	19.5
Net debt/(cash) to equity	(3.9)	(10.9)	(15.8)	(20.3)
Interest cover (x)	14.7	12.7	13.6	14.1

## MONEY TALK

### Bloomberg Consensus

Recommendation	Buy	Sell	Hold	Valuation Ratios	12/15	12/16	12/17E	12/18E
28/2/2017	100%	0%	0%	P/E	4.1	5.3	9.1	8.5
Target Price				EV/EBIT	5.1	-	-	-
Upside				EV/EBITDA	2.6	-	3.6	3.4
				P/S	0.3	0.3	0.4	0.3
				P/B	0.5	-	0.7	0.7
				Div Yield	5.3%	-	4.4%	4.4%
Income Statement	12/15	12/16	12/17E	12/18E	Profitability Ratios %			
Revenue	674	684	716	749	Gross Margin	13.5	-	-
Gross Income	91	-	-	-	EBITDA Margin	10.1	-	9.8
Operating Income	34	-	-	-	Operating Margin	5.0	-	-
Pretax Income	43	-	37	38	Profit Margin	6.2	5.7	4.0
Net Income Adjusted*	42	32	28	30	Return on Assets	7.0	-	4.8
EPS Adjusted	0.23	-	0.15	0.16	Return on Equity	13.2	-	7.9
Dividends Per Share	0.05	-	0.06	0.06				
Payout Ratio (%)	22	-	40	38				
EBITDA	68	-	70	74				
Peer Comparison	Ticker	Price @	Market Cap (US\$m)	----PE----		----P/B----		Yield
				FY16 (x)	FY17F (x)	FY16 (x)	FY17F (x)	FY17F (%)
Hi-P International Ltd	HIP SP	0.535	305	8.0	n.a.	n.a.	n.a.	n.a.
Venture Corp Ltd	VMS SP	10.98	2,167	16.8	15.3	1.6	1.5	4.6
Fischer Tech Ltd	FISC SP	1.92	76	8.1	n.a.	1.0	n.a.	n.a.
Fu Yu Corp Ltd	FUYU SP	0.22	117	15.7	11.6	n.a.	1.0	8.2
Ums Holdings Ltd	UMSH SP	0.715	217	13.6	11.9	n.a.	1.6	7.7
<b>Average</b>				<b>12.4</b>	<b>12.9</b>	<b>1.3</b>	<b>1.4</b>	<b>6.8</b>
Sunningdale Tech Ltd	IP SP	0.805	186	11.3	9.9	n.a.	2.7	4.8

Price Earnings Ratio (3 years average)



Price to Book Ratio (3 years average)



Source: Bloomberg, UOB Kay Hian

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