

# Singapore Company Guide

## Raffles Medical

Version 6 | Bloomberg: RFMD SP | Reuters: RAFG.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

21 Feb 2017

### HOLD

Last Traded Price ( 20 Feb 2017): S\$1.46 (STI : 3,096.69)  
 Price Target 12-mth : S\$1.40 (-4% downside) (Prev S\$1.43)

Potential Catalyst: Acquisitions, JVs

Where we differ: Below consensus as we expect profit growth from core operations to be partially negated by gestation costs

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### What's New

- **FY16 net profit +1%; EBIT (ex-MCH) +4%**
- **4Q16 results marginally weak (earnings -4% y-o-y)**
- **4Q16 EBIT margin fell 1.2ppt y-o-y to 21%**
- **Raffles Hospital Extension expected to open in 4Q17**

#### Price Relative



#### Forecasts and Valuation

FY Dec (S\$ m)	2015A	2016A	2017F	2018F
Revenue	411	474	513	560
EBITDA	93.4	95.4	102	107
Pre-tax Profit	81.6	82.9	87.5	92.2
Net Profit	69.3	70.2	74.1	78.0
Net Pft (Pre Ex.)	69.3	70.2	74.1	78.0
Net Pft Gth (Pre-ex) (%)	2.4	1.3	5.5	5.3
EPS (S cts)	4.02	4.02	4.24	4.46
EPS Pre Ex. (S cts)	4.02	4.02	4.24	4.46
EPS Gth Pre Ex (%)	1	0	6	5
Diluted EPS (S cts)	4.00	4.00	4.22	4.44
Net DPS (S cts)	2.00	2.00	2.00	2.00
BV Per Share (S cts)	35.0	38.1	40.4	42.8
PE (X)	36.3	36.4	34.4	32.7
PE Pre Ex. (X)	36.3	36.4	34.4	32.7
P/Cash Flow (X)	34.6	32.4	18.6	25.6
EV/EBITDA (X)	26.6	26.1	24.3	23.1
Net Div Yield (%)	1.4	1.4	1.4	1.4
P/Book Value (X)	4.2	3.8	3.6	3.4
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	12.1	11.1	10.8	10.7
<b>Earnings Rev (%):</b>			(5)	(7)
<b>Consensus EPS (S cts):</b>			4.50	5.30
<b>Other Broker Recs:</b>		B: 6	S: 2	H: 5

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

### FY16 results impacted by higher costs

**Maintain HOLD, TP at S\$1.40.** We maintain our HOLD rating with a reduced TP of S\$1.40 (previously S\$1.43) on 5-7% lower FY17F-FY18F earnings. At its current valuation of 25x FY17F EV/EBITDA, the counter has reflected its growth potential, in our view. We project growth over the next few years to be a tad slower than its historical average following gestation period from its expansion plans.

**4Q16 results marginally weak.** FY16 net profit grew 1% y-o-y to S\$70m, revenue rose (+15%) largely from newly acquired MCH, offset by higher expenses (31%) from start-up/integration costs. FY16 EBIT (ex-MCH) grew 4%. MCH incurred an estimated loss of S\$2.2m in FY16. 4Q16 net profit fell 4% y-o-y to S\$22m, partly due to a muted revenue growth (+3% y-o-y) offset by higher expenses (+4%). 4Q16 EBIT margin fell 1.2ppt y-o-y to 21%. Management remains positive on the outlook in IndoChina and China, and plans to open a couple of new medical centres in China partially to support its upcoming hospital in Shanghai. Raffles Hospital Extension is expected to open in 4Q17.

#### Slower growth in the immediate horizon due to expansion plans.

The expansion plans remain on track in Singapore with Raffles Holland V opened in October 2016 and Raffles Hospital Extension expected to complete by 4Q17. Elsewhere, Shanghai Hospital's completion is expected by late 2018. While we are positive on Raffles Medical's long-term growth plans, we expect near-term growth to be weighed down by gestation costs.

#### Valuation:

Our target price of S\$1.40 is based on its historical average PE of 29x on average FY17F/18F earnings. Our estimates include S\$0.15/share from the value of its Shanghai hospital.

#### Key Risks to Our View:

**Economic slowdown.** While healthcare is relatively resilient, private healthcare could be impacted by a slowdown in the economy as elective procedures can be deferred or patients can choose public hospitals as a lower-cost alternative.

#### At A Glance

Issued Capital (m shrs)	1,749
Mkt. Cap (S\$m/US\$m)	2,554 / 1,800
Major Shareholders (%)	
Choon Yong Loo	48.1
FIL Limited	4.9
Aberdeen	4.8
Free Float (%)	42.2
3m Avg. Daily Val (US\$m)	1.3
<b>ICB Industry :</b> Health Care / Health Care Equipment & Servic	

## WHAT'S NEW

## FY16 results impacted by higher costs

**4Q16 results marginally weak.** Raffles Medical's FY16 net profit grew 1% y-o-y to S\$70m, in line with consensus' full-year estimates. Revenue grew 15% y-o-y, driven by strong growth recorded in Healthcare Services divisions (+31% y-o-y) mostly led by contributions from newly acquired International SOS (MC Holdings) Pte Ltd and its subsidiaries (MCH), and Hospital Services divisions registering 6.3% growth. The strong revenue growth was offset by higher expenses (+31% y-o-y) led by staff costs (+19% y-o-y), inventories (+16%) and operating leases (+31%). The higher expenses were mainly due to the opening of Raffles Holland V and integration of MCH.

4Q16 net profit fell 4% y-o-y to S\$22m, partly due to a muted revenue growth of 3% y-o-y (revenue contribution from MCH was included in 4Q15) offset by higher operating expenses (+4% y-o-y), mainly from purchased and contracted services (+12%), and staff costs (+3%). Based on our estimates, 4Q16 Healthcare division revenue recorded a slower growth while we saw weaker performance from the Hospital Services division. Management explained the weaker performance from Hospital Services division was partially impacted by slower growth in the number of foreign patients (partially due to fewer foreign patients from Indonesia) and local patients.

**FY16 EBIT (ex-MCH) grew 4%.** Excluding the recently acquired MCH, the group's FY16 revenue increased 7.5% y-o-y while EBIT grew 4% y-o-y. 4Q16 revenue and EBIT increased 0.7% and 0.4% respectively. MCH is estimated to register a minor operating loss of S\$0.7m in 4Q16 (vs S\$0.8m loss in 3Q16) and S\$2.2m in FY16.

Management remains positive in the medium term on the potential in the markets where MCH operates (IndoChina and China) and plans to open a couple of new medical centres in China in the near term. The expansion in China bodes well for its upcoming Shanghai hospital. Management had previously mentioned that it expects operations to stabilise after two years.

**4Q16 EBIT margins fell 1.2ppt y-o-y to 20.8%.** FY16 EBIT margins fell 2.3ppt y-o-y to 17%. Operating costs continue to be weighed down by the integration of MCH and new projects such as Raffles Medical Centre Orchard (Shaw Centre) and Raffles Holland V, largely from higher staff costs, and advertising and promotional expenses. Management hopes that Raffles Medical Centre Orchard will break even by 2017.

**Raffles Holland V committed lease stable at 95%; Raffles Hospital Extension expects to open in 4Q17.** As at 20 February 2017, 95% of committed lease space remained stable at 95% (compared to previous update in October 2016). Some contribution from rental income has been included in 4Q16.

The progress of Raffles Hospital Extension is on track. Based on its latest plans for the new extension, management expects to utilise approximately 50% for own use and the remaining 50% will likely be rented out. Management plans to move some of its medical centres/clinics to the new extension and may open up new beds progressively in the existing building.

**Piling works on Raffles Hospital Shanghai has started.**

The construction works on Raffles Hospital Shanghai has started. Management remains positive on its Shanghai hospital which could contribute 15-20% in the medium term. Management continues to expand its medical centre network in China to further support its hospital expansion plans in China in the future.

**Maintain HOLD, lower TP of S\$1.40.** We maintain our HOLD recommendation and lower our TP marginally to S\$1.40 (previously S\$1.43). We roll forward our valuation on 5-7% lower FY17F-FY18F earnings.

While we like the group's exposure to the healthcare sector and its long-term growth plans, we believe its current valuation at 25x FY17F EV/EBITDA, above the higher end of the sector's historical range, has largely priced in the positive attributes. Moreover, FY17F-19F growth are projected to moderate, weighed down by macro-economic headwinds and start-up costs for its expansion projects being undertaken. Potential re-rating catalysts are 1) better-than-expected ramp-up of new projects/integration process, and 2) further accretive acquisitions and/or JVs/strategic alliances for entry into new markets.

## Results Summary

FY Dec (\$m)	3Q15	2Q16	3Q16	%YoY	%QoQ	FY15	FY16	%YoY	Comments
Sales	114.7	119.3	118.5	3%	-1%	410.5	473.6	15%	Hospital (+6%) and Healthcare (+31%) div; ex-MCH (+8%)
Gross Profit	114.7	119.3	118.5	3%	-1%	410.5	473.6	15%	
Other Income	2.3	(0.1)	1.6	-30%	nm	3.7	3.5	-5%	
Inv & consumables	(12.3)	(12.9)	(12.0)	-3%	-7%	(44.3)	(51.2)	16%	
Purchased and contracted services	(9.4)	(10.2)	(10.5)	12%	3%	(36.9)	(40.4)	10%	
Staff costs	(56.9)	(61.4)	(58.9)	3%	-4%	(203.5)	(241.7)	19%	Due to enlarged operations and new facilities
Depreciation of PPE	(3.6)	(3.7)	(3.7)	4%	1%	(12.8)	(14.7)	15%	New facilities
Op. lease exp	(3.5)	(3.5)	(3.8)	10%	9%	(11.0)	(14.2)	29%	New / renewal of medical centres (Compass One Mall and Fragrance Empire Building)
Other exp	(6.2)	(8.9)	(6.5)	6%	-27%	(25.1)	(32.9)	31%	Higher advertising and promotional costs, and 40% anniversary celebratory expenses
Total op exp	(91.8)	(100.6)	(95.4)	4%	-5%	(333.6)	(395.2)	18%	Growth higher than top line
Operating profit	25.3	18.6	24.7	-2%	33%	80.6	81.9	2%	Below DBS's estimates
Interest Income	0.2	0.3	0.2	21%	-24%	1.1	1.1	4%	
Interest Expense	(0.0)	(0.0)	(0.0)	39%	10%	(0.1)	(0.2)	62%	
Pretax Profit	25.4	18.8	24.9	-2%	32%	81.6	82.9	2%	
Tax	(3.1)	(3.1)	(4.1)	30%	33%	(12.6)	(15.0)	19%	
Minority Interests	0.4	0.5	0.9	110%	102%	0.3	2.3	nm	
Net Profit	22.7	16.2	21.8	-4%	34%	69.3	70.2	1%	In line with DBS' estimates

Margins (%)	4Q15	3Q16	4Q16	YoY (pp)	QoQ (pp)	FY15	FY16	YoY (pp)
EBITDA Margin	25.1	18.7	24.0	-1.2	5.3	22.8	20.4	-2.4
EBIT Margin	22.0	15.6	20.8	-1.2	5.3	19.6	17.3	-2.3
Pre-tax Margin	22.2	15.8	21.0	-1.2	5.2	19.9	17.5	-2.4
Net Margin	19.8	13.6	18.4	-1.5	4.8	16.9	14.8	-2.1

Source of all data: Company, DBS Bank

**Quarterly / Interim Income Statement (S\$m)**

FY Dec	4Q2015	3Q2016	4Q2016	% chg yoy	% chg qoq
Revenue	115	119	119	3.3	(0.6)
Other Oper. (Exp)/Inc	(89.5)	(101)	(93.8)	4.9	(6.9)
<b>Operating Profit</b>	<b>25.3</b>	<b>18.6</b>	<b>24.7</b>	<b>(2.2)</b>	<b>33.1</b>
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	-	-
Associates & JV Inc	0.0	0.0	0.0	-	-
Net Interest (Exp)/Inc	0.17	0.28	0.20	18.0	(28.6)
Exceptional Gain/(Loss)	0.0	0.0	0.0	-	-
<b>Pre-tax Profit</b>	<b>25.4</b>	<b>18.8</b>	<b>24.9</b>	<b>(2.1)</b>	<b>32.2</b>
Tax	(3.1)	(3.1)	(4.1)	29.8	32.9
Minority Interest	0.45	0.47	0.94	110.1	101.5
<b>Net Profit</b>	<b>22.8</b>	<b>16.2</b>	<b>21.8</b>	<b>(4.3)</b>	<b>34.0</b>
Net profit bef Except.	22.8	16.2	21.8	(4.3)	34.0
EBITDA	28.8	22.3	28.4	(1.4)	27.7
<b>Margins (%)</b>					
Opg Profit Margins	22.0	15.6	20.8		
Net Profit Margins	19.8	13.6	18.4		

Source of all data: Company, DBS Bank

## CRITICAL DATA POINTS TO WATCH

### Earnings Drivers:

**Raffles Hospital the key profit generator.** Raffles Medical derives earnings mainly from three key segments – Hospital Services, Healthcare Services and Investments. Hospital Services is the largest revenue contributor, accounting for c.60% (as of FY16) of the group's revenue. The group owns and operates Raffles Hospital, which is a licensed 380-bed tertiary hospital, located just at the outskirts of Singapore's Central Business District. There are c.200 operational beds, and revenue growth has been largely driven by inpatient admissions, higher prices and increased intensity of services.

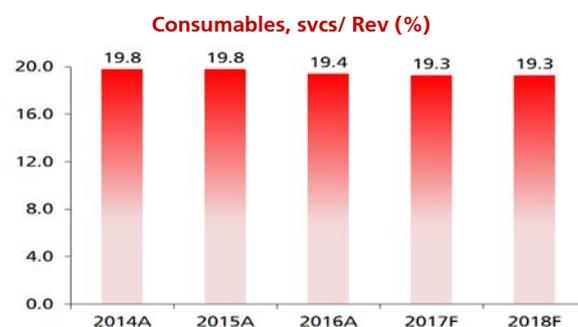
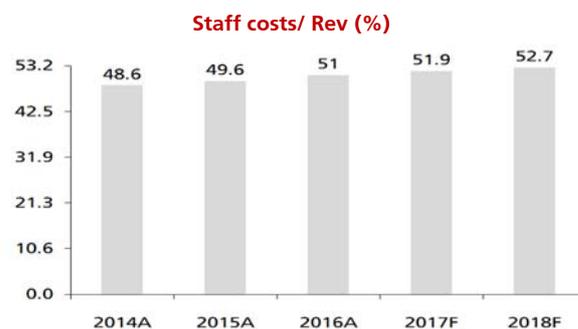
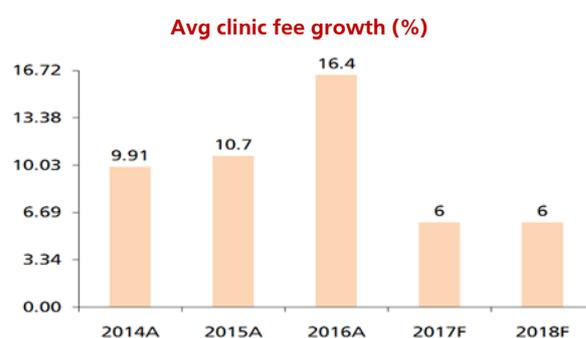
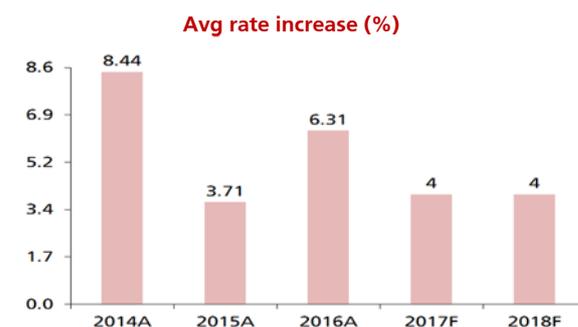
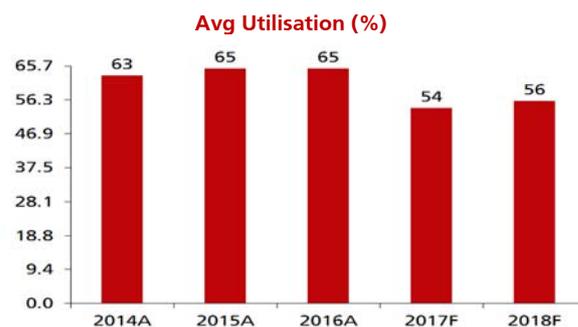
**Healthcare services revenue derived through network of clinics and medical centres.** Raffles Medical has a network of over 80 clinics across Singapore that provide primary care. Revenue and profit growth for this segment have been and will continue to be driven largely by patient visits. This segment contributes c.44% of the group's revenue. The network of its clinics serves as a feeder and a referral source for patients to its Raffles Hospital. The group has five clinics in Hong Kong, a comprehensive medical centre in Shanghai and a chain of ten clinics in China, Vietnam and Cambodia through MCH acquisition. It has recently opened a new medical centre in Holland V.

### Leveraging on Singapore's status as a premier medical hub.

About one-third of Raffles Hospital's patients are foreigners, with Indonesians accounting for less than 20% of this group. Over the years, concerted efforts have been made to diversify the sources of its foreign patients and it now has patients of over 100 nationalities. This is also achieved through its network of international associates throughout Asia.

**In expansion phase for next stage of growth.** The group is currently embarking on expanding its capacities for its next stage of growth. There are several ongoing projects, such as: (i) extension of its Raffles Hospital with the addition of a medical block with 220,000 sqft of additional space (by 4Q17); and (iii) development of a 70:30 greenfield hospital in Shanghai in conjunction with Shanghai Lujiazui Group (by end-2018). While this is positive for its longer-term growth prospects, we believe there could be a gestation period and this could undermine the group's growth in the near term.

**Staff costs.** Staff costs are currently at close to 50% of the group's revenue. Competition for healthcare workers between the public and private sectors, cap on foreign nurses as well as a worldwide shortage of doctors have resulted in upward pressure on staff costs. For FY16, staff costs rose 19% y-o-y. The Group seeks to lower staff costs in the longer term by starting its own residency programme for its physicians to develop an in-house supply of doctors for its operations.



Source: Company, DBS Bank

**Balance Sheet:**

**Net cash position.** As at FY16, the group had approximately S\$112m of cash on its balance sheet. The group also generates S\$90-100m of operating cashflows each year. This strong cash position enables the group to pursue expansion projects without having the need to tap on other sources of funding.

**Share Price Drivers:**

**Strong and consistent revenue growth.** Management has delivered a 10-year revenue and net profit CAGR of 13% and 16% respectively. In our forecasts, we are projecting growth at a slower clip due to gestation of its expansion projects. Assuming that management is able to continue delivering consistent growth, this could boost its share price, and a testament to the management’s ability in managing the operations.

**Successful cost control.** The group is facing increasing costs primarily from the rise in cost of labour due to shortage of medical professionals such as doctors and nurses. If these costs can be successfully controlled, they will yield positive results for the group’s bottom line.

**Execution of its expansion plans, new initiatives.** Further expansion into China could provide a further catalyst to its share price. The group is in an ongoing process for an MOU in Shenzhen, and is considering investing in another hospital in Beijing. Any announcements with regards to an increased scale in China could be positively accepted by investors.

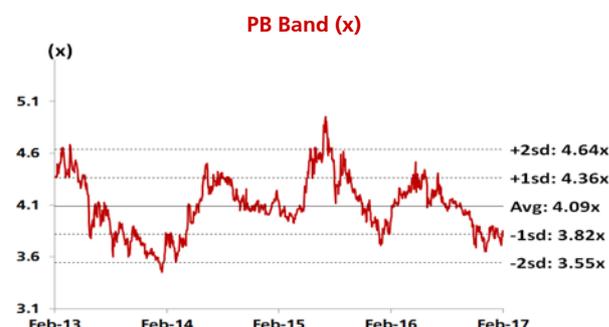
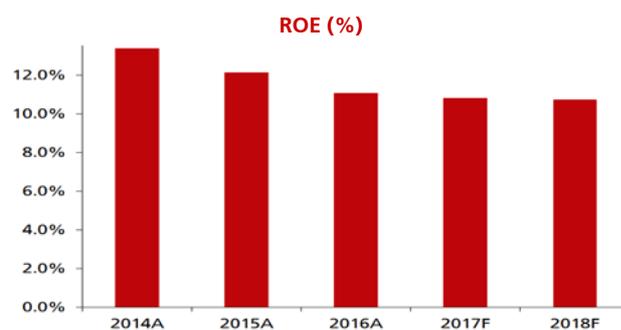
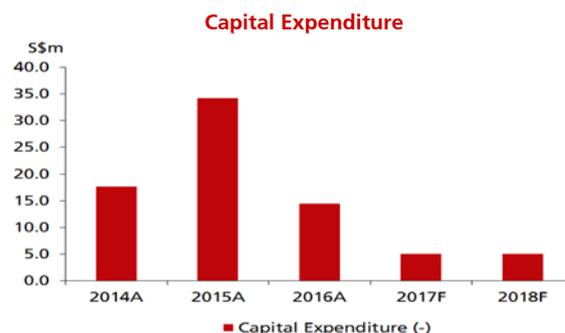
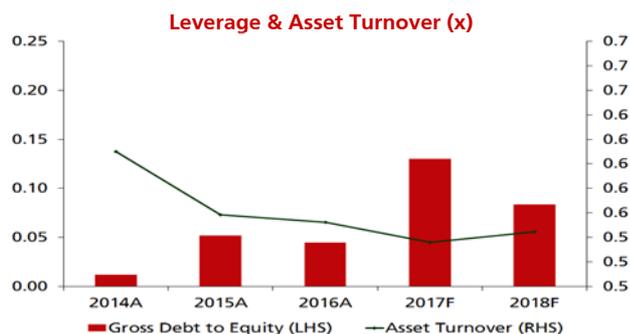
**Key Risks:**

**Staff costs.** Staff costs account for close to half of the group’s revenue. Supply shortages in doctors and/or skilled allied healthcare workers could result in higher wages needed to retain or attract talent.

**Macro-economic headwinds.** A weak economic environment may impinge on inpatient admissions, particularly elective procedures. Furthermore, patients could opt for public hospitals over private institutions in a weak environment.

**Company Background**

Raffles Medical is an integrated private healthcare service provider that focuses on Singapore. It owns and operates a network of family medical clinics, a tertiary care hospital, insurance services and a consumer healthcare division. It was founded in 1976 with two clinics in Singapore, and serves more than one million patients today and over 6,500 corporate clients.



Source: Company, DBS Bank

**Key Assumptions**

FY Dec	2014A	2015A	2016A	2017F	2018F
Avg Utilisation (%)	63.0	65.0	65.0	54.0	56.0
Avg rate increase (%)	8.44	3.71	6.31	4.00	4.00
Avg clinic fee growth (%)	9.91	10.7	16.4	6.00	6.00
Staff costs/ Rev (%)	48.6	49.6	51.0	51.9	52.7
Consumables, svcs/ Rev	19.8	19.8	19.4	19.3	19.3

**Segmental Breakdown**

FY Dec	2014A	2015A	2016A	2017F	2018F
<b>Revenues (\$\$m)</b>					
Healthcare services	140	161	210	229	250
Hospital services	251	268	285	303	326
Investment holdings	14.7	12.8	17.7	22.9	27.0
Less: Eliminations	(31.0)	(31.1)	(39.3)	(41.3)	(43.3)
<b>Total</b>	<b>375</b>	<b>411</b>	<b>474</b>	<b>513</b>	<b>560</b>
<b>Operating profit (\$\$m)</b>					
Healthcare services	12.4	13.1	14.6	16.0	17.5
Hospital services	60.8	63.2	61.4	60.5	61.4
Investment holdings	10.8	9.18	11.1	11.0	13.0
<b>Total</b>	<b>83.9</b>	<b>85.5</b>	<b>87.2</b>	<b>87.5</b>	<b>91.8</b>
<b>Operating profit Margins</b>					
Healthcare services	8.8	8.2	7.0	7.0	7.0
Hospital services	24.2	23.6	21.5	20.0	18.8
Investment holdings	73.1	71.8	62.9	48.0	48.0
<b>Total</b>	<b>22.4</b>	<b>20.8</b>	<b>18.4</b>	<b>17.0</b>	<b>16.4</b>

**Income Statement (\$\$m)**

FY Dec	2014A	2015A	2016A	2017F	2018F
Revenue	375	411	474	513	560
Other Opng (Exp)/Inc	(294)	(330)	(392)	(426)	(468)
<b>Operating Profit</b>	<b>80.3</b>	<b>80.6</b>	<b>82.0</b>	<b>87.5</b>	<b>91.8</b>
Other Non Opng (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	0.95	1.00	0.98	0.02	0.32
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>81.3</b>	<b>81.6</b>	<b>82.9</b>	<b>87.5</b>	<b>92.2</b>
Tax	(13.3)	(12.6)	(15.0)	(15.8)	(16.7)
Minority Interest	(0.3)	0.26	2.26	2.39	2.52
Preference Dividend	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>67.6</b>	<b>69.3</b>	<b>70.2</b>	<b>74.1</b>	<b>78.0</b>
Net Profit before Except.	67.6	69.3	70.2	74.1	78.0
EBITDA	90.0	93.4	95.4	102	107
<b>Growth</b>					
Revenue Gth (%)	9.9	9.6	15.4	8.4	9.1
EBITDA Gth (%)	9.4	3.8	2.1	6.9	4.5
Opg Profit Gth (%)	8.6	0.3	1.7	6.8	5.0
Net Profit Gth (Pre-ex) (%)	4.9	2.4	1.3	5.5	5.3
<b>Margins &amp; Ratio</b>					
Opg Profit Margin (%)	21.4	19.6	17.3	17.0	16.4
Net Profit Margin (%)	18.1	16.9	14.8	14.4	13.9
ROAE (%)	13.4	12.1	11.1	10.8	10.7
ROA (%)	11.0	9.4	8.2	7.7	7.6
ROCE (%)	13.0	11.1	9.6	9.2	9.0
Div Payout Ratio (%)	45.9	49.8	49.8	47.2	44.8
Net Interest Cover (x)	NM	NM	NM	NM	NM

Source: Company, DBS Bank

**Quarterly / Interim Income Statement (\$\$m)**

<b>FY Dec</b>	<b>4Q2015</b>	<b>1Q2016</b>	<b>2Q2016</b>	<b>3Q2016</b>	<b>4Q2016</b>
Revenue	115	117	119	119	119
Other Oper. (Exp)/Inc	(89.5)	(98.1)	(99.0)	(101)	(93.8)
<b>Operating Profit</b>	<b>25.3</b>	<b>18.7</b>	<b>20.0</b>	<b>18.6</b>	<b>24.7</b>
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	0.17	0.21	0.30	0.28	0.20
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>25.4</b>	<b>18.9</b>	<b>20.3</b>	<b>18.8</b>	<b>24.9</b>
Tax	(3.1)	(3.7)	(4.1)	(3.1)	(4.1)
Minority Interest	0.45	0.32	0.54	0.47	0.94
<b>Net Profit</b>	<b>22.8</b>	<b>15.5</b>	<b>16.7</b>	<b>16.2</b>	<b>21.8</b>
Net profit bef Except.	22.8	15.5	16.7	16.2	21.8
EBITDA	28.8	22.4	23.6	22.3	28.4

**Growth**

Revenue Gth (%)	13.0	1.9	1.8	0.3	(0.6)
EBITDA Gth (%)	32.5	(22.5)	5.5	(5.7)	27.7
Opg Profit Gth (%)	36.5	(25.9)	6.6	(7.0)	33.1
Net Profit Gth (Pre-ex) (%)	45.7	(31.7)	7.4	(2.6)	34.0

**Margins**

Gross Margins (%)	100.0	100.0	100.0	100.0	100.0
Opg Profit Margins (%)	22.0	16.0	16.8	15.6	20.8
Net Profit Margins (%)	19.8	13.3	14.0	13.6	18.4

**Balance Sheet (\$\$m)**

<b>FY Dec</b>	<b>2014A</b>	<b>2015A</b>	<b>2016A</b>	<b>2017F</b>	<b>2018F</b>
Net Fixed Assets	228	264	270	261	251
Invt in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other LT Assets	231	380	407	497	546
Cash & ST Invt	150	86.1	112	182	163
Inventory	8.53	9.58	9.99	10.8	11.8
Debtors	37.0	75.0	101	64.2	70.0
Other Current Assets	0.0	0.0	0.0	0.0	0.0
<b>Total Assets</b>	<b>655</b>	<b>815</b>	<b>901</b>	<b>1,015</b>	<b>1,042</b>
ST Debt	6.39	11.4	13.5	13.5	13.5
Creditor	85.6	131	156	170	185
Other Current Liab	12.9	14.2	14.3	16.0	16.8
LT Debt	0.0	20.9	17.0	80.0	50.0
Other LT Liabilities	9.89	15.2	17.6	17.6	17.6
Shareholder's Equity	539	603	666	706	749
Minority Interests	1.47	18.9	15.5	13.1	10.6
<b>Total Cap. &amp; Liab.</b>	<b>655</b>	<b>815</b>	<b>901</b>	<b>1,015</b>	<b>1,042</b>
Non-Cash Wkg. Capital	(53.0)	(60.9)	(59.4)	(111)	(120)
Net Cash/(Debt)	144	53.8	81.5	88.9	99.6
Debtors Turn (avg days)	39.5	49.8	68.0	58.9	43.7
Creditors Turn (avg days)	(3,177.5)	(3,089.9)	(3,913.5)	(4,110.9)	(4,386.5)
Inventory Turn (avg days)	(333.1)	(258.0)	(266.2)	(262.6)	(280.2)
Asset Turnover (x)	0.6	0.6	0.6	0.5	0.5
Current Ratio (x)	1.9	1.1	1.2	1.3	1.1
Quick Ratio (x)	1.8	1.0	1.2	1.2	1.1
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	275.6	106.0	47.7	5.4	7.9
Z-Score (X)	14.6	9.2	7.7	6.0	6.7

Source: Company, DBS Bank

## Cash Flow Statement (\$m)

FY Dec	2014A	2015A	2016A	2017F	2018F
Pre-Tax Profit	81.3	81.6	82.9	87.5	92.2
Dep. & Amort.	9.65	12.8	13.4	14.5	14.8
Tax Paid	(13.6)	(12.5)	(12.7)	(14.2)	(15.8)
Assoc. & JV Inc/(loss)	0.0	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	13.1	(8.8)	(6.0)	49.5	8.59
Other Operating CF	3.07	(0.3)	1.17	0.0	0.0
<b>Net Operating CF</b>	<b>93.5</b>	<b>72.8</b>	<b>78.9</b>	<b>137</b>	<b>99.7</b>
Capital Exp.(net)	(17.6)	(34.2)	(14.5)	(5.0)	(5.0)
Other Invts.(net)	0.0	(29.8)	0.0	0.0	0.0
Invts 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	(188)	(114)	(29.9)	(90.0)	(49.0)
<b>Net Investing CF</b>	<b>(206)</b>	<b>(178)</b>	<b>(44.4)</b>	<b>(95.0)</b>	<b>(54.0)</b>
Div Paid	(12.4)	(11.6)	(14.0)	(35.0)	(35.0)
Chg in Gross Debt	1.42	25.6	(2.1)	63.0	(30.0)
Capital Issues	7.83	12.4	7.09	0.0	0.0
Other Financing CF	(0.1)	14.7	0.51	0.0	0.0
<b>Net Financing CF</b>	<b>(3.3)</b>	<b>41.2</b>	<b>(8.5)</b>	<b>28.0</b>	<b>(64.9)</b>
Currency Adjustments	0.07	0.11	(0.2)	0.0	0.0
Chg in Cash	(116)	(64.1)	25.8	70.4	(19.2)
Opg CFPS (\$ cts)	4.75	4.73	4.85	5.02	5.21
Free CFPS (\$ cts)	4.48	2.24	3.68	7.57	5.42

Source: Company, DBS Bank

## Target Price &amp; 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:	23 Feb 16	1.45	1.43	HOLD
2:	25 Apr 16	1.52	1.43	HOLD
3:	04 Jul 16	1.56	1.43	HOLD
4:	26 Jul 16	1.55	1.43	HOLD
5:	11 Oct 16	1.51	1.43	HOLD
6:	25 Oct 16	1.52	1.43	HOLD

Source: DBS Bank

Analyst: Rachel TAN

Andy SIM CFA

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 catalysts within this time frame)

*Share price appreciation + dividends*

Completed Date: 21 Feb 2017 07:14:05 (SGT)

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