Maybank Kim Eng

Industrials

Singapore

China Sunsine Chemical (CSSC SP)

Scaling up to meet insatiable rubber chemicals demand

Not Rated

Share Price SGD 1.15

Further capacity expansion for operating leverage

CSSC has finally obtained government approval for the trial run of its new 30k tonne capacity TBBS production line and a 10k tonne insoluble sulphur (IS) line at its current Shanxian site. TBBS is used as a fast vulcanization accelerating agent for automotive tyres. CSSC is already planning for future capacity growth and has entered into an agreement with the government to acquire 534,000 sqm of land in the Shandong Shanxian Chemical Zone to build more lines. Currently, competitors have yet to announce any concrete plans for capacity expansion and/or ink land deals.

Quality producers enjoy high switching cost

Specialty rubber chemicals manufacturers like CSSC enjoy better pricing power vs basic manufacturers because of the product properties. As rubber chemicals only make up 3% of tyre manufacturers' production costs, tyre makers are unlikely to run the risk of switching suppliers as qualification process is long and tedious. With strong technology IP and CSSC's market leadership in TBBS - 20% share globally & 33% in China - its economic moat is relatively deep.

Growing world vehicle population to support demand

According to Global Market Insights, global rubber-chemical demand is set to grow at a CAGR of 4.9% through 2025. The estimate tallies with global passenger-and-commercial-vehicle population growth of 6.7% CAGR from 2009-2017 (source: KPMG & LMC Automotive).

Strong net cash position; trading at discount to peers

CSSC trades at 6.1x FY19E consensus forecasts, below industry average of 13.1x and its historical mean of 6.6x. Ex-cash, valuation drops to 3.9x. Net cash of CNY1.04b or SGD0.42/share should support further expansion without the need for fund-raising. While the street is expecting a 28% drop in FY19E net profit, better-than-expected ASP and sales volume may provide upside surprise.

FYE Dec (CNY m)	FY14A	FY15A	FY16A	FY17A	FY18A
Revenue	2,077	1,859	2,037	2,738	3,283
EBITDA	394	385	397	589	789
Core net profit	220	209	222	341	641
Core EPS (CNY)	0.47	0.45	0.48	0.69	1.30
Core EPS growth (%)	187.0	(5.0)	6.3	45.3	87.9
Net DPS (CNY)	0.07	0.07	0.07	0.15	0.27
Core P/E (x)	4.0	3.6	5.0	6.3	4.9
P/BV (x)	0.9	0.6	0.8	1.2	1.3
Net dividend yield (%)	3.9	4.2	3.0	3.3	4.3
ROAE (%)	24.1	19.1	17.5	22.0	31.5
ROAA (%)	15.1	13.0	13.7	18.1	26.3
EV/EBITDA (x)	2.6	1.5	2.1	2.8	2.6
Net gearing (%) (incl perps)	13.4	net cash	net cash	net cash	net cash

Kareen Chan
kareenchan@maybank-ke.com.sg
(65) 6231 5926

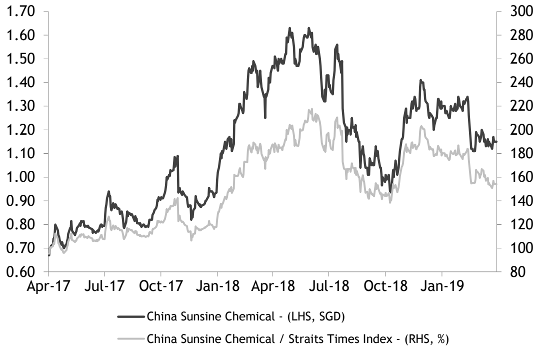
Company Description

China Sunsine engages in the production of specialty rubber chemicals. It has three production facilities in Shandong, China.

Statistics

52w high/low (SGD)	1.63/0.94
3m avg turnover (USDm)	1.2
Free float (%)	30.1
Issued shares (m)	492
Market capitalisation	SGD565.4M
	USD418M
Major shareholders:	
XU CHENG QIU	60.3%
CHIA KEE KOON	4.4%
Lazard Asset Management LLC	1.1%

Price Performance



	-1M	-3M	-12M
Absolute (%)	(3)	(13)	(20)
Relative to index (%)	(6)	(16)	(16)

Source: FactSet

Corporate Summary

Fig 1: Snapshot

Business

- Three core product lines – rubber accelerators (70% of 2018 revenue), anti-oxidants (20%) and insoluble sulphur (9%) which are key chemical feedstock in the rubber vulcanisation process.
- World's largest producer of rubber accelerators with a 20% global market share and largest manufacturer of insoluble sulphur (IS) in China. IS is used as vulcanising agent for rubber to improve the quality of rubber products and avoid blooming in high temperature mixing. It possesses a high level of thermal stability to ensure vulcanising properties at high temperature as compared to ordinary sulphur.
- Operates three production facilities in Shanxian, Weifang and Dingtao in Shandong, China, with a total capacity of 172,000t in 1Q19.
- Centralised heating plant in Shanxian, Shandong to generate steam and electricity for its Shanxian facility and companies in Shanxian Chemical Industrial Zone.
- Over 1,000 global clients, including 2/3 of world's top 75 tyre makers. Among them are Bridgestone, Michelin, Goodyear, Pirelli, Yokohama & Hanbook. Also supplies Chinese tyre majors such as Hangzhou Zhongge, GITI Tire and Shanghai Double Coin Tyre.
- Continuously improving manufacturing and environmental protection to enhance yields and support environment sustainability.

Company Milestones

- Started as a SOE to make various primary rubber accelerators in 1994.
- Renamed as Shandong Shanxian Chemical following a management buyout of the SOE in 1998 and subsequently Shandong Sunsine Chemical in 2006 in preparation for IPO.
- Listed on SGX in 2007 with annual production capacity of 32,000t of rubber chemicals ie rubber accelerators and anti-scorching agents.
- Started producing insoluble sulphur at end-2007 and anti-oxidants in 2008.
- Among the first batch of National Champion Manufacturing Enterprises named by China's Ministry of Industry and Information Technology in 2017.
- Granted "High-tech Enterprise" status in 2018 for its recurrent R&D investment, giving it 15% preferential tax rate for three years, subject to renewal.
- In 2018, granted approval for the trial run of its 10,000t IS line and 30,000t TBBS expansion project.

Board & senior management

- **Xu Cheng Qiu (Executive Chairman)** – More than 40 years of experience in rubber chemical industry. Member of a business group which spearheads various committees within the China Rubber Industry Association.
- **Liu Jing Fu (Executive Director, CEO)** - Promoted to CEO in Nov 2013 from GM. Prior to joining in 2006, was deputy chairman of Heze Petroleum Chemical Association and Heze Electrical, Mechanical and Petrochemical Association.
- **Lim Heng Chong Benny (lead independent director)** -In legal practice for more than 20 years, focusing on fund management and investment advisory matters, legal compliance and setting up of Singapore offshore funds.
- **Xu Chun Hua (independent director)** – Vice President of China Rubber Industry Association. Previously Principal of Qingdao Rubber Tyre Engineering University. Also worked in Nanjing Chemical University and Beijing Rubber Chemical Research Centre.
- **Koh Choon Kong (independent director)** - Part of the management of Bangladesh-based independent power producer, Summit Power Int'l with 20 years of audit, accounting, corporate finance and business experience.

Quarterly results

Fig 2: Revenue, ASPs and sales volumes

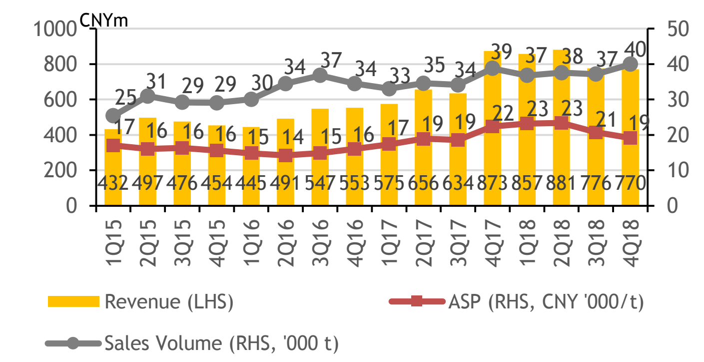
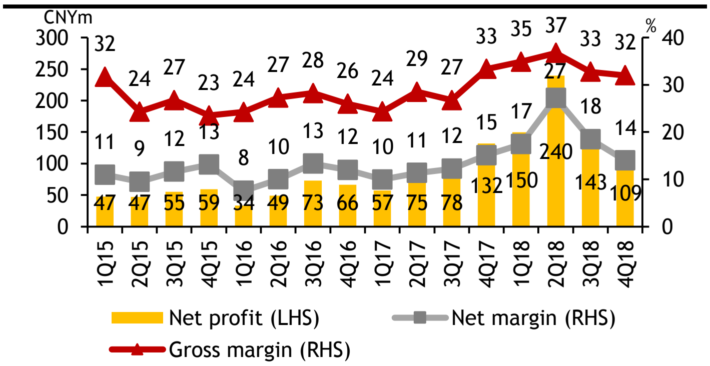
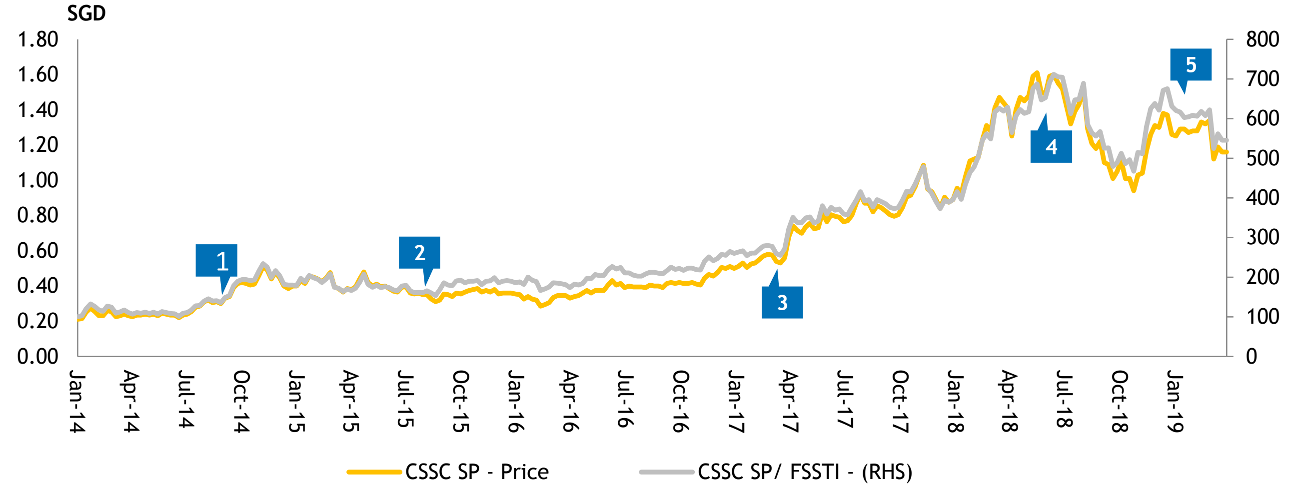


Fig 3: Gross margins, net profits and net margins



Source: Company data

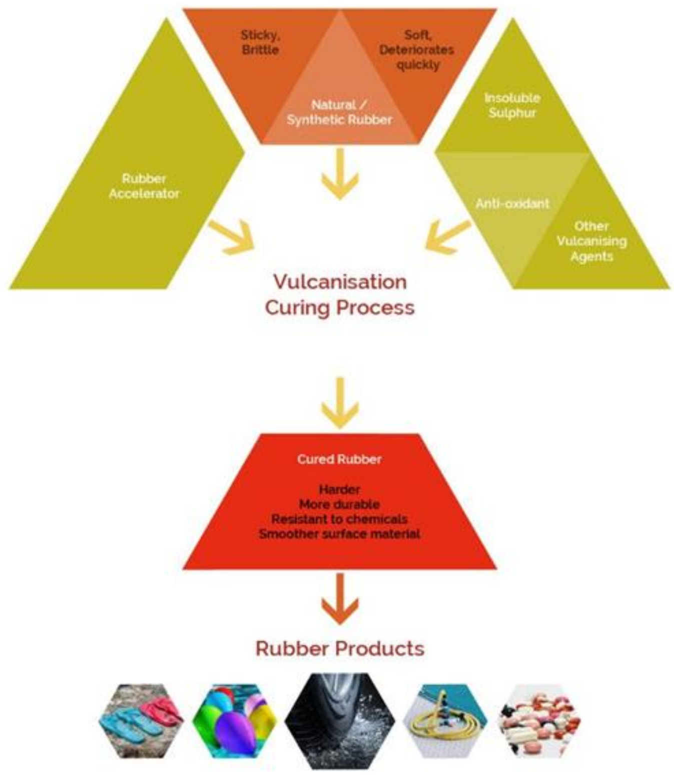
Fig 4: Share price and key events



Source: Company data, Maybank Kim Eng

1. Increase in ASPs amid supply shortage of accelerators as competitors were facing environmental compliance issues, which has resulted in production shutdowns.
2. While ASPs has increased due to shortage of rubber accelerators, QoQ sales volumes were affected by reduced demands from tyre makers due to anti-dumping and countervailing measures imposed by US on China. Over-capacity issue faced by the tire industry in China which dampened demand of accelerators also played a part.
3. Increased ASPs and sale volumes across for most products on the back of higher tyre productions in China and gains in market share as competitors faced greater scrutiny on eco-compliance.
4. Management turned more cautious on its outlook, guided that rubber chemical prices would normalise once eco-complaint producers returned to the market. Market concerned that ASPs have peaked.
5. Guided for stable ASPs, while obtaining regulatory approval for its trial- run of 10,000t of insoluble sulphur and 30,000t of TBBS.

Fig 5: Rubber chemicals used during vulcanisation process



Source: Company data

SWOT analysis

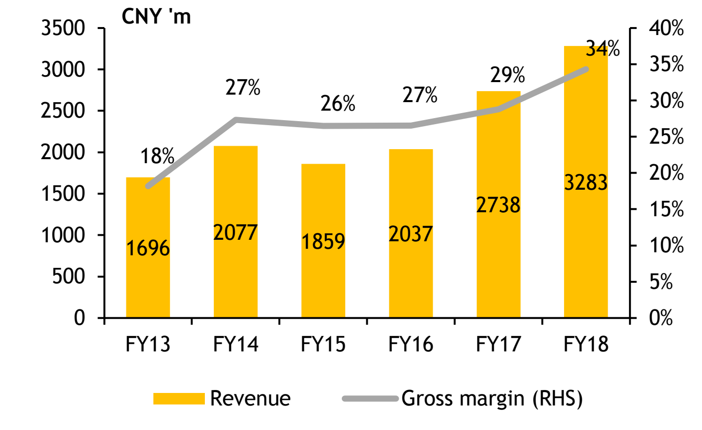
Fig 6: SWOT

Strengths	Weaknesses
• **Market leader.** Has bargaining power as world's largest producer of rubber accelerators and China's biggest IS producer. • **Resilient business**. Largely unaffected by economic cycles as replacement tyres account for 70-75% of derived demand. For context, every existing car need 1.5 replacement tyres a year and average lifespan of a car is 15 years. • **Track record**. Profitable since IPO in 2007 with an earnings CAGR of 21.4% and average ROE of 18.6% over past 12 years, despite facing short term fluctuation of ASPs throughout the years. • **Strong balance sheet.** Net cash position of CNY1.04b or SGD0.42/share as at 31 Dec 2018. Operating cash flow, which went up to CNY722.7m in FY18 from CNY384.6m in FY17. • **Accreditation by top global players:** Accreditation by US, European, Japanese, Korean and domestic tyre brands bears strong testimony to its supply capability and product quality. Long supplier-qualifying process deters clients from switching suppliers easily. • **Focus on R&D and product innovation**. High-tech enterprise status and active collaboration with Tsinghua University, Chinese Academy of Sciences and Qingdao University to enhance quality, manufacturing and environmental standards reflect this.	• **Exposed to oil prices**. Raw materials, particularly aniline which is a derivative of benzene, are by products of crude oil. • **ASP lag to raw-material prices.** Adjustments to ASPs lag raw-material price movements by 1-3 months. • **Normalising ASPs.** ASPs may normalise when short supply eases.
Opportunities	**Threats**
• **China's 3-year "Battle for a Blue Sky" could spur industry consolidation**. CSSC's eco-compliant facilities provide a competitive edge as the government shuts down polluting plants, improving market share. **Accreditation of its anti-oxidants and insoluble sulphur.** Accreditation could widen its product offerings and business proposition to tyre industry	• **Policy risks:** 1) stricter environmental protection; 2) work-place safety; and 3) FX laws and regulations in China. • **Imposition of industry-wide shutdown of chemical plants as** part of environmental protection. • **Supply gluts.** If Chinese competitors are able to secure funding and approval for their capacity expansion.

Source: Company data, Maybank Kim Eng

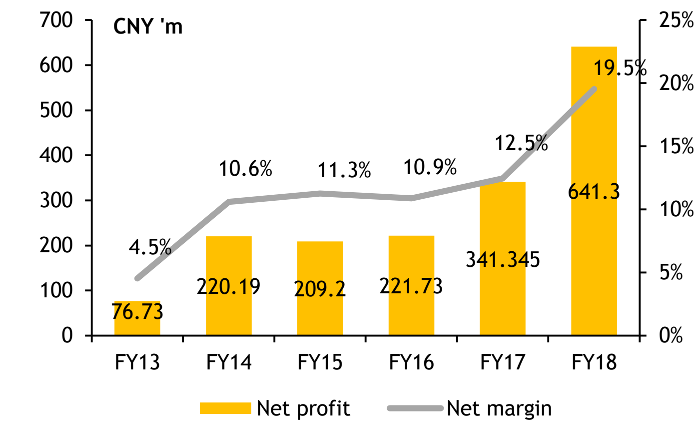
Financial snapshot

Fig 7: Revenue and gross margins



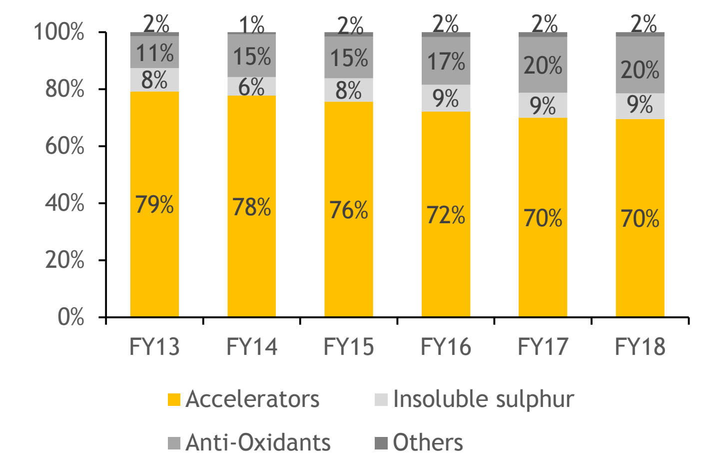
Source: Company data

Fig 8: Net profits and net margins



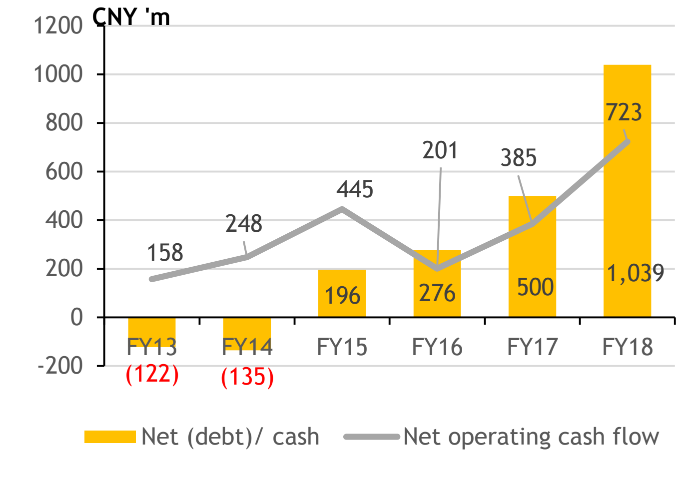
Source: Company data

Fig 9: Revenue breakdown



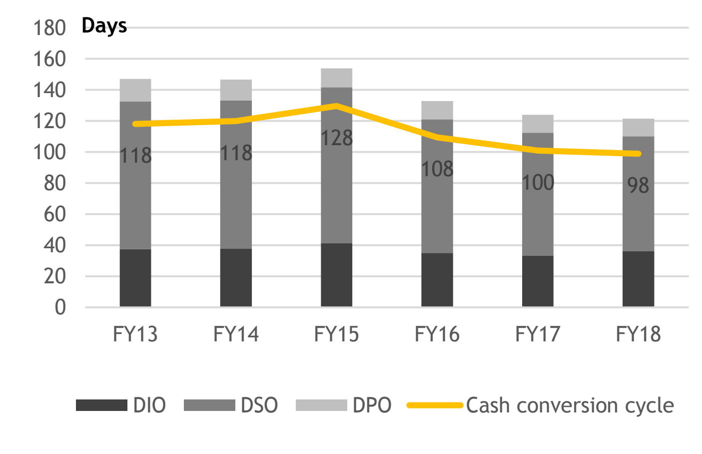
Source: Company data

Fig 10: Net cash (debt) and operating cashflow



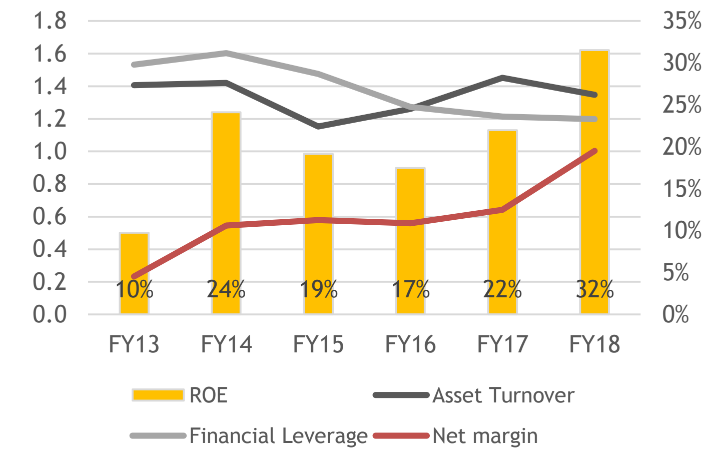
Source: Company data

Fig 11: Cash conversion cycle



Source: Company data

Fig 12: DuPont ROEs



Source: Company data

Industry outlook

CSSC has three core product lines - rubber accelerators (70% of 2018 revenue), anti-oxidants (20%) and insoluble sulphur (9%) which are key chemical feedstock in the rubber vulcanisation process.

Demand intact; replacement tyres to weather economic downcycle
According to Global Market Insights, demand for rubber chemicals is projected to grow at 4.9% CAGR to USD5.3b by 2025, pacing growth in world passenger vehicle registrations growth of 6.7% CAGR.

Prospects of the tyre industry are tied to vehicle population, and not auto sales as replacement tyres accounts for 70-75% of total tyre demand. As such, tyre industry is less susceptible to slowing new car sales.

Replacement tyre demand is also unaffected by the vagaries of economic cycles as automobile owners are unlikely to delay replacement due to road safety concerns. The average replacement ratio is 1.5 replacement tyres per year per car and the average lifespan of a car is 15 years.

Favourable dynamics for upstream manufacturers
In the upstream space, global demand growth is led by the rubber accelerators segment. Global market for accelerators was reported to be USD1.5b in 2017.

Meanwhile, demand for anti-oxidant is also set to grow significantly through 2024. Anti-oxidant is a type of rubber chemicals used to prevent cured rubber from degrading due to heat and oxidation.

Asia Pacific continues to be the main driver of growth for rubber chemical markets and this bodes well for CSSC given that 87% of its revenue is exposed to Asia Pacific. CSSC has 33% share of rubber accelerators market in China and 20% globally.

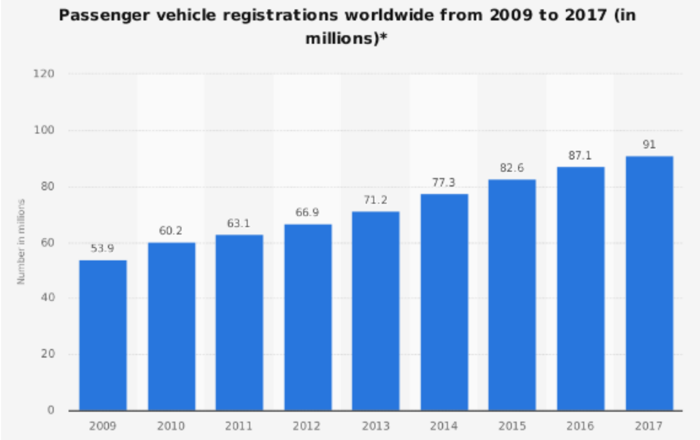
Fig 13: Revenue Exposure by Country

Total LTM Revenue S$670.9M

	% of Tot. Rev.	% Chg (Y/Y)	3 Yr Trend
Mainland China	62.5**	3.5	
Japan	4.1**	-28.3	
India	4.1**	-20.6	
Republic of Korea (South Korea)	3.6**	11.5	
Australia	3.2**	13.4	
Indonesia	2.4**	14.9	
United States	2.4**	-19.4	
Hong Kong	1.8**	2.5	

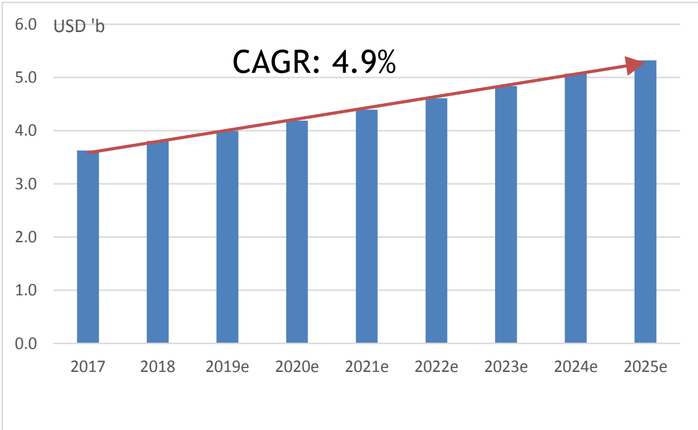
Source: Factsets

Fig 14: Registered passenger vehicle worldwide



Source: Statista

Fig 15: Global rubber processing chemicals market



Source: Global Market Insights

Anticipating future rubber chemical capacity demand

After much delay, CSSC has finally obtained government approval for the trial run of its new 30,000t capacity TBBS production line and a 10,000t insoluble sulphur (IS) line at its current Shanxian site. Under Phase 1, the first 10,000t will raise total TBBS production capacity to 172,000t and then to 192,000t when Phase 2 kicks in.

Channel checks suggest that CSSC is the first rubber chemical manufacturer in China to have announced PP&E investments in 2019 to expand rubber chemical capacity. A budget of CNY2.5b was included in the announcement in 8 March 2019, of which CNY1.5b will be spent on 534,000 sqm of land and production equipment.

From our last meet with management, CSSC is still in the process of negotiating the land deal with the government. The land plot is expected to be 1.3x the size of CSSC's current Shanxian site which has a production capacity of 144,500t. CSSC has highlighted that the project will be carried out in stages, depending on demand dynamics.

Fig 16: Current sites, land size and production capacity

Location	Land size (sqm)	Production capacity
Shanxian	406,667	Rubber Accelerators: 69,500t Anti-oxidant: 45,000t Insoluble Sulphur: 10,000t **Total production capacity: 124,500t**
	126,667	Heating plant
Weifang	187,852	Rubber accelerators: 27,500t
Dingtao	186,667	Insoluble sulphur: 20,000t
New land under negotiation	534,000	To be confirmed

Source: Company

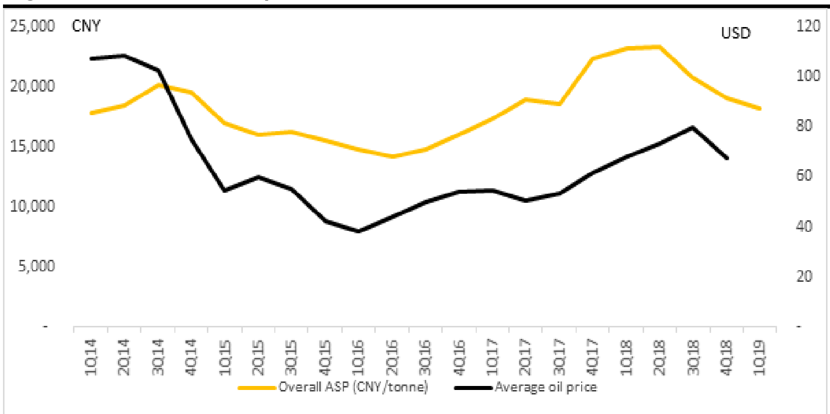
Leader in environmental control but smaller players are catching up

The industry experienced record high ASP in 2017-18 as a result of a supply squeeze as the Chinese authority forced chemical manufacturers to shutdown plants which failed environmental regulatory standards. During that period, eco-compliant manufacturers like CSSC benefitted from higher ASPs and even managed to grow market share.

Industry ASP trend is expected to normalise amid easing oil price, trade tensions and a slowdown in the global economy. Smaller Chinese rubber-chemical players could also restart production once they comply with environmental regulations and create more competition.

While CSSC's current market leadership may be open to attacks from smaller Chinese rubber-chemical players, price elasticity is low as rubber chemicals typically only make up 3% of tyre manufacturing cost. As such, global tyre manufacturers are unlikely to run the risk of switching suppliers as qualification process is long and tedious.

Fig 17: Brent crude oil price vs CSSC's overall ASP



Source: Company, macrotrend.net

Takeaways from plant visit

During our last plant visit to CSSC's facilities in Shandong, CSSC gave us a tour of its automated production lines and also addressed concerns about US trade tariffs, capacity growth and environmental protection.

Minimal impact from tariffs
While rubber accelerators are included in the US list of Chinese imports earmarked for trade tariffs, management clarified that only 2% of CSSC's revenue is exposed to the US, while China, rest of Asia and Europe account for the 62%, 25% and 9% of the sales. Also, tariffs should have little direct impact on CSSC as most tyre makers have shifted part of their manufacturing out of China after the US imposed anti-dumping measures on Chinese tyre imports as early as Nov 2014.

Expanding production capacity
Its fully-automated 30,000t TBBS expansion project is split into two phases. Construction of Phase 1's 10,000t production line has been completed at a cost of CNY100m or CNY10,000/t. CSSC could, depending on market demand, readily add two more lines with 20,000t capacity. The additional two would cost a lower CNY80m or CNY4,000/t.

Only one of its three boilers is in operation, suggesting scope for expansion. There is also land adjoining its facilities that can be acquired if the need arises.

Automated production
Management has been automating its production to improve yields and reduce reliance on manpower. Its latest production line is fully automated reducing staff dependency to 60 maintenance workers vs 80-90 workers. This is made possible by the use of a central control panel to monitor and control all processes remotely.

Fig 18: New TBBS packaging line

Fig 19: Centralised control room

Source: Maybank KE

Committed to safety and environmental protection

CSSC published its inaugural sustainability report in Apr 2017, more than 12 months ahead of the SGX deadline of Dec 2018. By the second year of reporting, it was tracking the economic, environmental, social and governance aspects of its business.

It has 40 environmental specialists who constantly develop better solutions to manage waste treatment. Reflecting its efforts, its environment-related expenditure jumped 50% to CNY98.9m in FY17 from CNY65.9m in FY16.

While it has consumed more water and energy due to its increased production capacity, per-unit usage has actually decreased since FY16: coal (-5.6%), electricity (-1.9%), steam (-2.7%) and water (-1.8%).

During our visit, management demonstrated how waste gases such as hydrogen sulphide are treated to reduce emissions. Through its sulphur-recycling facilities, sulphur is extracted from hydrogen sulphide for reuse in CSSC's production of thiazoles accelerator MBT.

The volume of sulphur it recycled in 2017 was 11,237t, down 9.5% because of lower MBT production. Conversion recovery rates, however, remained consistently above 99.5%. Such recycling helped to cut its production costs by 9.3% YoY or CNY13.6m in 2017.

Fig 20: Mission state at main entrance – Focusing on technological IP to improve and broaden product offerings

Source: Maybank KE

Fig 21: 1st batch of National Champion Manufacturing Enterprise awarded by Ministry of Industry and Information Technology of China in 2017

Source: Maybank KE

Management guidance

Fig 22: Outlook and guidance

Revenue & profit	ASPs of rubber chemicals stabilised in Oct 2018 and production utilisation rates of Chinese tyre makers started to pick up in 4Q18.
Growth Prospects	“Higher production leading to higher sales volume” strategy – focus on building production capacity. It has already achieved 172,000t in 1Q19 and has two additional TBBS (20,000t) to reach 192,000t at any point in time if demand warrants.
Capex	Earmarked CNY100m for R&D, CNY100m for upgrading of machinery and environment protection or maintenance capex and CNY80m for two additional TBBS production lines for FY19.
Funding sources	CNY1.04bm cash pile implies no need for equity-raising or borrowing to fund expansion. Group has not issued any new shares since its listing in 2007.

Valuation and risks

CSSC trades at 6.1x FY19E consensus forecasts, below industry average of 13.1x and its 10 year historical mean of 6.6x. Ex-cash, valuation drops to 3.9x. CSSC is trading at 51% discount to its closest China-listed peer Yanggu Huatai.

Net cash of CNY1.04b or SGD0.42/share should support further expansion without the need for fund-raising.

Based on consensus estimate, the street is expecting a 28% drop in FY19E net profit. Better-than-expected ASP and sales volume may provide upside surprise.

Fig 23: Peer valuations

Company	BBG	Price	Stock	Mcap	P/E (x)				EV/ EBITDA (x)	P/B (x)	ROE (%)
	Code	(LC)	Rating	USDm	Act	FY1	FY2	FY3	Act	Act	Act
China Sunsine	CSSC SP	1.15	NR	418	4.4	6.1	5.7	6.6	2.2	1.3	31.9%
Global listed											
Shandong Yanggu Huatai	300121 CS	10.87	NR	629	11.4	12.5	11.4	10.5	7.2	1.9	28.7%
Lanxess AG	LXS GY	53.30	NR	5,519	12.0	13.7	12.2	11.0	6.2	1.7	7.1%
Eastman Chemical	EMN US	83.94	NR	11,650	10.2	9.6	8.6	8.0	8.1	1.8	19.3%
Average					**11.4**	**13.1**	**11.7**	**10.6**	**6.0**	**1.7**	**11%**

Source: FactSet, Bloomberg

Key Risks

Regulatory
Industry has come under government scrutiny for lax environmental and safety standards and regulation. Since the introduction of stringent environmental regulations in 2014, China has been clamping down on industrial plants that failed to meet those standards.

In 2Q17, a group of environmental inspectors reportedly discovered certain weaknesses at CSSC's plants. While this did not amount to a breach of laws and there was no suspension or stop orders, investors reacted negatively.

Ministry of Environmental Protection's plant to cut PM2.5 by at least 2% in 2019 could present renewed risks.

Operational
Most raw materials it uses are hazardous chemicals that could be toxic to human health and the environment. Leakage or mishandling could lead to production suspension or shutdown.

FX
Export sales made up 32% of its FY18 sales volume. These are denominated in USD. Raw-material purchases and expenses are denominated in CNY. The group does not have a formal hedging policy. CSSC has recorded CNY20.1m FX gain when the CNY depreciated ~5.9% in FY18.

FYE 31 Dec	FY14A	FY15A	FY16A	FY17A	FY18A
Key Metrics					
P/E (reported) (x)	3.1	3.9	3.9	5.4	4.8
Core P/E (x)	4.0	3.6	5.0	6.3	4.9
P/BV (x)	0.9	0.6	0.8	1.2	1.3
P/NTA (x)	0.9	0.7	0.8	1.3	1.4
Net dividend yield (%)	3.9	4.2	3.0	3.3	4.3
FCF yield (%)	3.1	51.2	10.7	8.5	19.1
EV/EBITDA (x)	2.6	1.5	2.1	2.8	2.6
EV/EBIT (x)	3.1	1.9	2.8	3.3	3.0
INCOME STATEMENT (CNY m)					
Revenue	2,077.3	1,859.1	2,036.9	2,738.4	3,283.3
Gross profit	567.4	492.0	540.4	788.1	1,125.9
EBITDA	393.8	384.8	397.2	589.3	789.1
Depreciation	(73.5)	(93.4)	(94.8)	(88.0)	(96.4)
Amortisation	(0.5)	(0.6)	(1.2)	(1.2)	(1.2)
EBIT	319.8	290.8	301.2	500.1	691.5
Net interest income /(exp)	(18.1)	(10.4)	(4.3)	0.0	0.0
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.8	7.1	12.6	(23.3)	20.1
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	302.5	287.5	309.5	476.8	711.6
Income tax	(82.3)	(78.3)	(87.8)	(135.5)	(70.3)
Minorities	0.0	0.0	0.0	0.0	0.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	220.2	209.2	221.7	341.3	641.3
Core net profit	220.2	209.2	221.7	341.3	641.3
BALANCE SHEET (CNY m)					
Cash & Short Term Investments	122.8	341.3	275.9	499.6	1,038.6
Accounts receivable	609.4	413.5	547.5	637.8	690.6
Inventory	168.0	141.5	145.4	212.2	217.3
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	613.1	562.8	549.4	661.8	690.8
Intangible assets	29.5	43.7	42.5	41.3	40.1
Investment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	95.3	83.2	81.7	75.1	69.9
Total assets	**1,638.1**	**1,585.9**	**1,642.5**	**2,127.8**	**2,747.3**
ST interest bearing debt	214.0	144.9	0.0	0.0	0.0
Accounts payable	47.8	43.0	52.2	71.1	63.2
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	44.0	0.0	0.0	0.0	0.0
Other liabilities	321.0	223.0	229.0	314.0	359.0
Total Liabilities	**626.9**	**410.6**	**280.9**	**385.3**	**421.8**
Shareholders Equity	1,011.3	1,175.3	1,361.6	1,742.5	2,325.5
Minority Interest	0.0	0.0	0.0	0.0	0.0
Total shareholder equity	**1,011.3**	**1,175.3**	**1,361.6**	**1,742.5**	**2,325.5**
Total liabilities and equity	**1,638.1**	**1,585.9**	**1,642.5**	**2,127.8**	**2,747.3**
CASH FLOW (CNY m)					
Pretax profit	302.5	287.5	309.5	476.8	711.6
Depreciation & amortisation	74.0	94.0	96.0	89.2	97.6
Adj net interest (income)/exp	18.1	10.4	4.3	0.0	0.0
Change in working capital	(82.9)	133.2	(124.1)	(82.0)	(2.6)
Cash taxes paid	(63.6)	(80.2)	(85.0)	(99.4)	(84.0)
Other operating cash flow	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	248.1	445.0	200.7	384.6	722.7
Capex	(220.7)	(57.8)	(81.5)	(200.4)	(125.4)
Free cash flow	27.4	387.1	119.2	184.2	597.3
Dividends paid	(22.9)	(31.5)	(33.2)	(46.6)	(58.5)
Equity raised / (purchased)	0.0	0.0	(3.2)	31.4	0.0
Change in Debt	28.0	(113.1)	(144.9)	0.0	0.0
Other invest/financing cash flow	(238.3)	(81.8)	(85.0)	(145.6)	(125.2)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	14.9	218.5	(65.4)	223.7	539.0

FYE 31 Dec	FY14A	FY15A	FY16A	FY17A	FY18A
Key Ratios					
Growth ratios (%)					
Revenue growth	22.5	(10.5)	9.6	34.4	19.9
EBITDA growth	84.0	(2.3)	3.2	48.4	33.9
EBIT growth	130.6	(9.1)	3.6	66.0	38.3
Pretax growth	156.5	(5.0)	7.7	54.1	49.2
Reported net profit growth	187.0	(5.0)	6.0	53.9	87.9
Core net profit growth	187.0	(5.0)	6.0	53.9	87.9
Profitability ratios (%)					
EBITDA margin	19.0	20.7	19.5	21.5	24.0
EBIT margin	15.4	15.6	14.8	18.3	21.1
Pretax profit margin	14.6	15.5	15.2	17.4	21.7
Payout ratio	15.4	15.3	15.1	21.2	21.0
DuPont analysis					
Net profit margin (%)	10.6	11.3	10.9	12.5	19.5
Revenue/Assets (x)	1.3	1.2	1.2	1.3	1.2
Assets/Equity (x)	1.6	1.3	1.2	1.2	1.2
ROAE (%)	24.1	19.1	17.5	22.0	31.5
ROAA (%)	15.1	13.0	13.7	18.1	26.3
Liquidity & Efficiency					
Cash conversion cycle	118.2	127.8	108.0	99.5	97.5
Days receivable outstanding	94.3	99.0	84.9	77.9	72.8
Days inventory outstanding	37.1	40.8	34.5	33.0	35.8
Days payables outstanding	13.2	12.0	11.5	11.4	11.2
Dividend cover (x)	6.5	6.6	6.6	4.7	4.8
Current ratio (x)	1.7	2.4	3.7	3.7	4.8
Leverage & Expense Analysis					
Asset/Liability (x)	2.6	3.9	5.8	5.5	6.5
Net gearing (%) (incl perps)	13.4	net cash	net cash	net cash	net cash
Net gearing (%) (excl. perps)	13.4	net cash	net cash	net cash	net cash
Net interest cover (x)	17.7	28.0	70.1	nm	nm
Debt/EBITDA (x)	0.7	0.4	0.0	0.0	0.0
Capex/revenue (%)	10.6	3.1	4.0	7.3	3.8
Net debt/ (net cash)	135.2	(196.4)	(275.9)	(499.6)	(1,038.6)

Source: Company; Maybank

Research Offices

REGIONAL

Sadiq CURRIMBHOY
Regional Head of Research & Economics
(65) 6231 5836
sadiq@maybank-ke.com.sg

WONG Chew Hann, CA
Regional Head of Institutional Research
(603) 2297 8686
wchewh@maybank-ib.com

ONG Seng Yeow
Regional Head of Retail Research
(65) 6231 5839
ongsengyeow@maybank-ke.com.sg

ECONOMICS

Suhaimi ILIAS
Chief Economist
Malaysia | Philippines | China
(603) 2297 8682
suhaimi_ilias@maybank-ib.com

CHUA Hak Bin
Regional Thematic Macroeconomist
(65) 6231 5830
chuahb@maybank-ke.com.sg

LEE Ju Ye
Singapore | Thailand
(65) 6231 5844
leejuye@maybank-ke.com.sg

Linda LIU
Singapore | Vietnam
(65) 6231 5847
lindaliu@maybank-ke.com.sg

Dr Zamros DZULKAFLI
(603) 2082 6818
zamros.d@maybank-ib.com

Ramesh LANKANATHAN
(603) 2297 8685
ramesh@maybank-ib.com

FX

Saktiandi SUPAAT
Head of FX Research
(65) 6320 1379
saktiandi@maybank.com.sg

Christopher WONG
(65) 6320 1347
wongkl@maybank.com.sg

Leslie TANG
(65) 6320 1378
leslietang@maybank.com.sg

Fiona LIM
(65) 6320 1374
fionalim@maybank.com.sg

STRATEGY

Sadiq CURRIMBHOY
Global Strategist
(65) 6231 5836
sadiq@maybank-ke.com.sg

Willie CHAN
Hong Kong | Regional
(852) 2268 0631
williechan@kimeng.com.hk

FIXED INCOME

Winson PHOON, ACA
(65) 6812 8807
winsonphoon@maybank-ke.com.sg

Se Tho Mun Yi
(603) 2074 7606
munyi.st@maybank-ib.com

MALAYSIA

WONG Chew Hann, CA *Head of Research*
(603) 2297 8686 wchewh@maybank-ib.com
• Strategy

Desmond CH'NG, ACA
(603) 2297 8680
desmond.chng@maybank-ib.com
• Banking & Finance

LIAW Thong Jung
(603) 2297 8688 tjliaw@maybank-ib.com
• Oil & Gas Services- Regional

ONG Chee Ting, CA
(603) 2297 8678 ct.ong@maybank-ib.com
• Plantations - Regional

Mohshin AZIZ
(603) 2297 8692 mohshin.aziz@maybank-ib.com
• Aviation - Regional • Petrochem

YIN Shao Yang, CPA
(603) 2297 8916 samuel.y@maybank-ib.com
• Gaming – Regional • Media

TAN Chi Wei, CFA
(603) 2297 8690 chiwei.t@maybank-ib.com
• Power • Telcos

WONG Wei Sum, CFA
(603) 2297 8679 weisum@maybank-ib.com
• Property

LEE Yen Ling
(603) 2297 8691 lee.yl@maybank-ib.com
• Glove • Ports • Shipping • Healthcare

Ivan YAP
(603) 2297 8612 ivan.yap@maybank-ib.com
• Automotive • Semiconductor • Technology

Kevin WONG
(603) 2082 6824 kevin.wong@maybank-ib.com
• REITs • Consumer Discretionary

Adrian WONG, CFA
(603) 2297 8675 adrian.wkj@maybank-ib.com
• Constructions

Jade TAM
(603) 2297 8687 jade.tam@maybank-ib.com
• Consumer Staples

Mohd Hafiz HASSAN
(603) 2082 6819 mohdhafiz.ha@maybank-ib.com
• Building Materials • Small & Mid Caps

Amirah AZMI
(603) 2082 8769 amirah.azmi@maybank-ib.com
• Media • Plantations

TEE Sze Chiah *Head of Retail Research*
(603) 2082 6858 szechiah.t@maybank-ib.com

Nik Ihsan RAJA ABDULLAH, MSTA, CFTe
(603) 2297 8694
nikmohdihsan.ra@maybank-ib.com

SINGAPORE

Neel SINHA *Head of Research*
(65) 6231 5838 neelsinha@maybank-ke.com.sg
• Strategy • Industrials
• SMID Caps – *Regional*

CHUA Su Tye
(65) 6231 5842 chuasutye@maybank-ke.com.sg
• REITs

Luis HILADO
(65) 6231 5848 luishilado@maybank-ke.com.sg
• Telcos • Transport

LAI Gene Lih, CFA
(65) 6231 5832 laigenelih@maybank-ke.com.sg
• Technology

Thilan WICKRAMASINGHE
(65) 6231 5840 thilanw@maybank-ke.com.sg
• Banks

SZE Jia Min
(65) 6231 5845 jiamin@maybank-ke.com.sg
• Consumer

INDIA

Jigar SHAH *Head of Research*
(91) 22 6623 2632 jigar@maybank-ke.co.in
• Strategy • Oil & Gas • Automobile • Cement

Neerav DALAL
(91) 22 6623 2606 neerav@maybank-ke.co.in
• Software Technology • Telcos

Vishal PERIWAL
(91) 22 6623 2605
vishalperiwal@maybank-ke.co.in
• Infrastructure

INDONESIA

Isnaputra ISKANDAR *Head of Research*
(62) 21 8066 8680
isnaputra.iskandar@maybank-ke.co.id
• Strategy • Metals & Mining • Cement

Rahmi MARINA
(62) 21 8066 8689
rahmi.marina@maybank-ke.co.id
• Banking & Finance

Aurellia SETIABUDI
(62) 21 8066 8691
aurellia.setiabudi@maybank-ke.co.id
• Property

Janni ASMAN
(62) 21 8066 8687
janni.asman@maybank-ke.co.id
• Cigarette • Healthcare • Retail

PHILIPPINES

Minda OLONAN *Head of Research*
(63) 2 849 8840
minda_olonan@maybank-atrke.com
• Strategy • Conglomerates

Katherine TAN
(63) 2 849 8843
kat_tan@maybank-atrke.com
• Banks • Conglomerates • Ports

Luis HILADO
(65) 6231 5848 luishilado@maybank-ke.com.sg
• Telcos

Romel LIBO-ON
(63) 2 849 8844
romel_libo-on@maybank-atrke.com
• Property

Kayzer LLANDA
(63) 2 849 8839
Kayzer_llanda@maybank-atrke.com
• Utilities

THAILAND

Maria LAPIZ *Head of Institutional Research*
Dir (66) 2257 0250 | (66) 2658 6300 ext 1399
Maria.L@maybank-ke.co.th
• Strategy • Consumer • Materials • Services

Teerapol Udomvej, CFA
(66) 2658 6300 ext 1394
teerapol.U@maybank-ke.co.th
• Healthcare

Ekachai TARAPORNTIP *Head of Retail Research*
(66) 2658 5000 ext 1530
Ekachai.t@maybank-ke.co.th

Sutthichai KUMWORACHAI *Deputy Head*
(66) 2658 5000 ext 1400
sutthichai.k@maybank-ke.co.th
• Energy • Petrochem

Surachai PRAMUALCHAROENKIT
(66) 2658 5000 ext 1470
Surachai.p@maybank-ke.co.th
• Auto • Conmat • Contractor • Steel

Suttatip PEERASUB
(66) 2658 5000 ext 1430
suttatip.p@maybank-ke.co.th
• Media • Commerce

Termporn TANTIVIVAT
(66) 2658 5000 ext 1520
termporn.t@maybank-ke.co.th
• Property

Jaroonpan WATTANAWONG
(66) 2658 5000 ext 1404
jaroonpan.w@maybank-ke.co.th
• Transportation • Small cap

Thanatphat SUKSRICHAVALIT
(66) 2658 5000 ext 1401
thanaphat.s@maybank-ke.co.th
• Media • Electronics

Sorrabhol VIRAMETEEKUL
Head of Digital Research
(66) 2658 5000 ext 1550
sorrabhol.V@maybank-ke.co.th
• Food, Transportation

Wijit ARAYAPISIT
(66) 2658 5000 ext 1450
wijit.a@maybank-ke.co.th
• Strategist

Kritsapong PATAN
(66) 2658 5000 ext 1310
kritsapong.p@maybank-ke.co.th
• Chartist

Apisit PATTARASAKOLKIAT
(66) 2658 5000 ext 1405
Apisit.p@maybank-ke.co.th
• Chartist

VIETNAM

LE Hong Lien, ACCA
Head of Institutional Research
(84 28) 44 555 888 x 8181
lien.le@maybank-kimeng.com.vn
• Strategy • Consumer • Diversified

THAI Quang Trung, CFA
Deputy Head of Institutional Research
(84 28) 44 555 888 x 8180
trung.thai@maybank-kimeng.com.vn
• Real Estate • Construction • Materials

LE Nguyen Nhat Chuyen
(84 28) 44 555 888 x 8082
chuyen.le@maybank-kimeng.com.vn
• Oil & Gas

QUAN Trong Thanh
(84 28) 44 555 888 x 8184
thanh.quan@maybank-kimeng.com.vn
• Banks

NGUYEN Thi Ngan Tuyen
Head of Retail Research
(84 28) 44 555 888 x 8081
tuyen.nguyen@maybank-kimeng.com.vn
• Food & Beverage • Oil&Gas • Banking

TRUONG Quang Binh
Deputy Head of Retail Research
(84 28) 44 555 888 x 8087
binh.truong@maybank-kimeng.com.vn
• Rubber Plantation • Tyres & Tubes • Oil & Gas

TRINH Thi Ngoc Diep
(84 28) 44 555 888 x 8208
diep.trinh@maybank-kimeng.com.vn
• Technology • Utilities • Construction

NGUYEN Thi Sony Tra Mi
(84 28) 44 555 888 x 8084
mi.nguyen@maybank-kimeng.com.vn
• Port Operation • Pharmaceutical
• Food & Beverage

NGUYEN Thanh Lam
(84 28) 44 555 888 x 8086
thanhlam.nguyen@maybank-kimeng.com.vn
• Technical Analysis

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Malaysia

Maybank Investment Bank Berhad
(A Participating Organisation of
Bursa Malaysia Securities Berhad)
33rd Floor, Menara Maybank,
100 Jalan Tun Perak,
50050 Kuala Lumpur
Tel: (603) 2059 1888;
Fax: (603) 2078 4194

Stockbroking Business:
Level 8, Tower C, Dataran Maybank,
No.1, Jalan Maarof
59000 Kuala Lumpur
Tel: (603) 2297 8888
Fax: (603) 2282 5136

Singapore

Maybank Kim Eng Securities Pte Ltd
Maybank Kim Eng Research Pte Ltd
50 North Canal Road
Singapore 059304

Tel: (65) 6336 9090

London

Maybank Kim Eng Securities (London) Ltd
PNB House
77 Queen Victoria Street
London EC4V 4AY, UK

Tel: (44) 20 7332 0221
Fax: (44) 20 7332 0302

New York

Maybank Kim Eng Securities USA Inc
400 Park Avenue, 11th Floor
New York, New York 10022,
U.S.A.

Tel: (212) 688 8886
Fax: (212) 688 3500

Hong Kong

Kim Eng Securities (HK) Ltd
28/F, Lee Garden Three,
1 Sunning Road, Causeway Bay,
Hong Kong

Tel: (852) 2268 0800
Fax: (852) 2877 0104

Indonesia

PT Maybank Kim Eng Securities
Sentral Senayan III, 22nd Floor
Jl. Asia Afrika No. 8
Gelora Bung Karno, Senayan
Jakarta 10270, Indonesia

Tel: (62) 21 2557 1188
Fax: (62) 21 2557 1189

India

Kim Eng Securities India Pvt Ltd
2nd Floor, The International,
16, Maharishi Karve Road,
Churchgate Station,
Mumbai City - 400 020, India

Tel: (91) 22 6623 2600
Fax: (91) 22 6623 2604

Philippines

Maybank ATR Kim Eng Securities Inc.
17/F, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines 1200

Tel: (63) 2 849 8888
Fax: (63) 2 848 5738

Thailand

Maybank Kim Eng Securities (Thailand) Public Company Limited
999/9 The Offices at Central World,
20th - 21st Floor,
Rama 1 Road Pathumwan,
Bangkok 10330, Thailand

Tel: (66) 2 658 6817 (sales)
Tel: (66) 2 658 6801 (research)

Vietnam

Maybank Kim Eng Securities Limited
4A-15+16 Floor Vincom Center Dong
Khoi, 72 Le Thanh Ton St. District 1
Ho Chi Minh City, Vietnam

Tel : (84) 844 555 888
Fax : (84) 8 38 271 030

Saudi Arabia

In association with
Anfaal Capital
Villa 47, Tujjar Jeddah
Prince Mohammed bin Abdulaziz
Street P.O. Box 126575
Jeddah 21352

Tel: (966) 2 6068686
Fax: (966) 26068787

South Asia Sales Trading

Kevin Foy
Regional Head Sales Trading
kevinfoy@maybank-ke.com.sg
Tel: (65) 6636-3620
US Toll Free: 1-866-406-7447

Indonesia

Iwan Atmadjaja
iatmadjaja2@bloomberg.net
(62) 21 8066 8555

New York

James Lynch
jlynch@maybank-keusa.com
Tel: (212) 688 8886

Philippines

Keith Roy
keith_roy@maybank-atrke.com
Tel: (63) 2 848-5288

North Asia Sales Trading

Andrew Lee
andrewlee@kimeng.com.hk
Tel: (852) 2268 0283
US Toll Free: 1 877 837 7635

London

Greg Smith
gsmith@maybank-ke.co.uk
Tel: (44) 207-332-0221

India

Sanjay Makhija
sanjaymakhija@maybank-ke.co.in
Tel: (91)-22-6623-2629

www.maybank-ke.com | www.maybank-keresearch.com