

AEM Holdings (AEM SP)

Buy the dip

Capturing upside opportunities; TP +19%; BUY

AEM raised FY20 revenue guidance to SGD480-500m from SGD460-480m. We raise FY20-22E EPS by 5-7% to account for this. We now value AEM at 14x FY21E P/E, from ROE-g/COE-g derived 5x blended FY20-21E P/B, to better account for: i) upside from system-level test's structural growth prospects from new customers/ stronger-than-expected order momentum; and ii) potential for valuation gap to narrow against global peers due to increasing international investor participation. BUY.

Continued relevance with key customer

Takeaways from Intel's Architecture Day include that Intel will continue to decouple design from process technology, as well as focus on advanced packaging technologies to drive leadership products. We believe this is favourable to AEM as heterogeneously packaged chips come with testing challenges at the wafer level that can be overcome by SLT at the packaged level to ensure product reliability.

Exciting end-markets beckon

Automotive and edge computing are growth markets where system level test (SLT) is advantageous, but we believe AEM has little to no penetration yet. Automotive chips are challenging to test given requirements for zero defect and high thermal reliability. AEM presented at the SEMI SEA 2020 conference on how its asynchronous, modular and massively parallel approach to SLT can tackle these challenges in a cost-effective way. We walked away with a greater appreciation for AEM's AMPS solution, and believe exciting end-markets beckon for AEM.

Potential for valuation rerating

We believe 14x FY21E is appropriate to value AEM to account for: i) its market-leading SLT solution; and ii) attractive SLT growth prospects, but remains at a discount to global peers at 17x, to factor in customer-concentration risks. We now favour using P/E over ROE-g/COE-g derived P/B as this overcomes: i) under-reflected ROE generation due to strong cash build; ii) unquantifiable ROEs from new and potential customers; and iii) potential re-rating sparked by an incrementally global investor base if earnings growth paves the way for USD1b market cap and higher.

FYE Dec (SGD m)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue	262	323	492	517	541
EBITDA	42	70	112	126	133
Core net profit	33	53	88	99	105
Core FDEPS (cts)	12.3	19.4	32.0	36.0	38.4
Core FDEPS growth(%)	3.4	58.3	64.8	12.6	6.5
Net DPS (cts)	3.4	5.1	8.0	9.0	9.6
Core FD P/E (x)	6.7	10.4	10.3	9.1	8.6
P/BV (x)	2.5	4.1	4.5	3.3	2.6
Net dividend yield (%)	4.1	2.5	2.4	2.7	2.9
ROAE (%)	45.5	47.3	52.5	41.7	33.6
ROAA (%)	26.6	29.1	32.9	28.8	25.0
EV/EBITDA (x)	4.0	6.3	6.7	5.4	4.5
Net gearing (%) (incl perps)	net cash				
Consensus net profit	-	-	89	96	99
MKE vs. Consensus (%)	-	-	(1.7)	3.3	6.7

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

BUY

Share Price	SGD 3.29
12m Price Target	SGD 5.05 (+56%)
Previous Price Target	SGD 4.26

Company Description

AEM manufactures equipment used in the semiconductor back-end process

Statistics

52w high/low (SGD)	4.29/1.12
3m avg turnover (USDm)	15.3
Free float (%)	76.9
Issued shares (m)	273
Market capitalisation	SGD899.2M USD658M

Major shareholders:

Toh Ban Leng James	5.0%
Aberdeen Standard Investments (Asia) Ltd	5.0%
UBS Group AG	4.9%

Price Performance



	-1M	-3M	-12M
Absolute (%)	(22)	5	196
Relative to index (%)	(21)	18	274

Source: FactSet



Business Model & Industry Issues

- As an equipment maker, AEM is inherently exposed to environmental, workplace safety, and socio-economic risks. AEM has had zero incidences of environmental non-compliance, as well as zero substantiated cases of corruption and legal compliance issues in 2019.
- From an environmental and social perspective, AEM screens all of its suppliers. AEM constantly strives to be more efficient with electricity usage, and ensures employees are well trained and remunerated fairly.
- AEM is recognised for good transparency with shareholders, while still being able to balance business requirements (e.g. respecting non-disclosure agreements).
- AEM has several new products in the pipeline and it is engaging customers for more. In our view, this is the key for economic sustainability, as well as for development of its own employees.

Material E issues

- AEM's environmental exposure is through energy, water and inputs (fabricated parts and electronics).
- AEM adheres to all National Environment Agency laws and regulations and has not had incidences of environmental non-compliance over the past 10 years.
- Further, AEM's constant energy-saving initiatives efforts has resulted in energy consumption rising in only 7.5% (in kWh) in 2019 despite a 23% increase in revenue.
- AEM screens suppliers for negative environmental and social impacts, including pollutions, biodiversity loss, global warming, incidences of child labour, breaches of customer privacy, and more. All eight key fabrication suppliers and 23 key standard part suppliers were found to have no negative environmental or social impacts.

Material S issues

- AEM values talent retention. One approach is through wages. In Malaysia, where around a-third of production takes place, AEM's entry wages for production workers have been higher than the minimum wage at least since 2017, to retain employees. Entry wages are also higher than minimum wages in the US and China.
- Workforce diversity. AEM is an equal-opportunities employer. Management are hired from local communities and consists of various nationalities. 86% of management are local across AEM's footprint globally.
- Workplace safety. AEM trains its employees on health and safety work practices. In 2018, there was 1 minor injury.
- In 2019, average training per employee was 15.7 hours, or 7,590 hours in total, to equip staff with skills across technical, project management and software domains.
- Females comprise 22-23% of the total work force, and 19-23% of new hires since 2017.
- Turnover rate per month ranged from 1.1-2.1% in FY17-19. 2020 target is to maintain turnover rate at below 1.5% a month.

Key G metrics and issues

- The board has seven directors, of which one is the executive chairman, four are independent directors (57%), and two are non-independent, non-executive. All the directors are male.
- The audit & risk management, remuneration, and nominating committees are chaired by independent directors. The strategy committee, which works with management on long-term strategic planning, is chaired by the executive chairman.
- Executive chairman Mr. Loke Wai San plans to return to a non-executive chairman role from 1 Jan-20.
- Key management compensation (comprising the Board and senior management) accounted for 27% of staff costs in 2019 (2018:17%). FY19 profit was 58% higher YoY.
- In 2019, AEM won "Most Transparent Company Award, Technology" and was runner up for the "Singapore Corporate Governance Award" by SIAS. AEM regularly updates on its sales guidance and orders received and it's active in engaging with the investment community.
- Zero substantiated cases of corruption or legal compliance issues in 2019, to be maintained in 2020.
- AEM was granted two patents in 2019, and staff were involved rewarded. AEM views its considerable engineering development revenue as a positive sign of customer satisfaction and relationship.

Forecasts and TP revisions

Fig 1: Forecast revisions

	FY20E			FY21E			FY22E		
	New	Old	Chg (%)	New	Old	Chg (%)	New	Old	Chg (%)
Revenue (SGDm)	491.5	471.3	4.3	517.3	497.1	4.1	541.3	519.4	4.2
Gross profit (SGDm)	194.6	186.1	4.6	210.5	201.3	4.6	223.0	213.0	4.7
EBIT (SGDm)	104.1	98.5	5.6	117.5	111.4	5.4	125.2	117.3	6.7
EBITDA (SGDm)	108.7	106.6	2.0	122.1	119.2	2.4	129.6	126.2	2.7
Core net profit (SGDm)	87.9	83.3	5.5	99.0	94.0	5.3	105.4	98.9	6.6
EPS (SGD)	0.32	0.30	5.4	0.36	0.34	5.2	0.38	0.36	6.5
			Chg (ppt)			Chg (ppt)			Chg (ppt)
Gross margin	39.6%	39.5%	0.1	40.7%	40.5%	0.2	41.2%	41.0%	0.2
Staff cost as % of sales	13.7%	13.7%	0.0	13.7%	13.7%	0.0	14.0%	14.0%	0.0

Source: Maybank Kim Eng

We raise FY20-22E EPS by 5-7% to account for the latest revision in guidance. We switch our valuation methodology from ROE-g/COE-g derived P/B to P/E as we believe this enables us to better gauge AEM's fair value. Our rationales include:

- Strong cash build under-reflects ROE generation. AEM's business is asset light and its key enablers lie in its human capital as well as IPs (e.g. HDMT test handler, proprietary FPGA for Inspirain). Based on projected cash-generation, we expect AEM to maintain net-cash to equity above 70% throughout our forecast period. While this cash-hoard is strategic for potential acquisition opportunities, it under-reflects AEM's ROEs and penalizes derived multiples from the ROE-g/COE-g approach.
- Capturing unquantifiable earnings upside risks. In our view, upside to current forecasts stem from: i) better-than-expected order momentum in the short term; and ii) new customers in the long term. Such upside is not quantifiable, but we believe are legitimate factors to consider in arriving at a holistic view of AEM's future economic opportunities. We continue to favour SLT's growth prospects, in particular in markets such as edge computing and electric and/or autonomous driving, where SLT's propositions are attractive, but penetration is still low.
- Re-rating opportunities from global investors. With continued earnings growth, we believe AEM may eventually achieve USD1b in market cap and more. This may unlock the opportunity for increased global investor participation, along with more global perspectives of AEM's growth prospects. We believe this may in turn spark a re-rating for AEM's P/E multiples to narrow the gap compared to global peers.

AEM is trading at 9x FY21E P/E, and our TP is based on 14x. We believe 14x is fair given: i) AEM's market leading SLT capabilities; and ii) structural growth prospects for SLT, including with the key customer; yet iii) it remains at a discount compared to global peers trading at around 17x, to account for single-customer concentration.

In the shorter term, we believe weaker-than-expected FY21E order momentum is a key risk. This may be due to a challenging macro environment and/or our concern that some equipment orders may be pushed out to FY22 alongside the delay of Intel's 7nm products. We are also mindful of faster-than-expected market share loss at Intel, as this may translate to lost chip volumes that could otherwise underpin more resilient equipment order momentum.

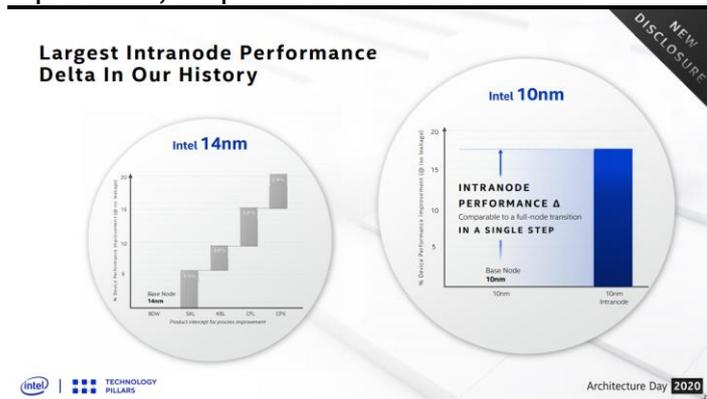
Takeaways from Intel Architecture Day

Intel updated on its progress on its six pillars of technology innovation¹ strategy at its Architecture Day on 13-Aug. Highlights from the event, as well as Digitimes' excerpts of the Q&A session during the event include:

- Intel's growth drivers over the next 3-5 years - Intel's six pillars of technology innovation will remain the key driver of growth. Intel says it is the only company with investments and IPs in the transistor, architecture and software sectors. Intel is confident this will continue to sustain competitiveness along with the development of new offerings.
- Moore's law is alive - Intel believes there is a lot more transistor density to come. At the same time, it believes that user experience improvements can still double every 2-3 years through innovations in packaging technologies, architectures and software solutions on top of improving transistor manufacturing processes.
- Intel's overall architecture strategy - Data analysis, edge computing and AI are driving the development of diverse compute applications from the edge to the cloud. Intel offers a mix of scalar, vector, matrix and spatial architectures deployed in CPU, GPU, accelerator and FPGA sockets, which are unified by oneAPI, an industry-standard open programming model to simplify application development.
- Process technology - Intel unveiled its 10nm SuperFin, which delivers performance improvement in the vicinity of 15-20%, and comparable to a full node transition. Its upcoming Tiger Lake SoC is based on 10nm SuperFin technology. (see Fig 2)
- Advanced packaging - Intel highlighted its roadmap to scale bump pitch for existing technologies (e.g. EMIB and Foveros) and also introduced die-on-wafer "Hybrid Bonding", which enables bump pitches of 10 microns and below, delivering higher interconnect density and bandwidth, along with lower power. Intel also detailed combining both EMIB and Foveros technologies in what it calls Co-EMIB, which allows for two or more Foveros elements to be connected with no loss of performance compared with a standard planar design. (see Fig 3)
- Client 2.0 - Intel laid out a vision of the future of its client products in the 2024+ timeframe, encapsulated in something it calls Client 2.0. Contrasting the one-size-fits-all approach of the past (Client 1.0), Client 2.0 provides more immersive and custom-tailored computing experiences through the ability to mix and match IPs/functions to processes. Client 2.0 also aims to cut development time to 1 year, from 3-4 from the monolithic die approach, and has significant lesser bugs. (see Fig 4 & 5).

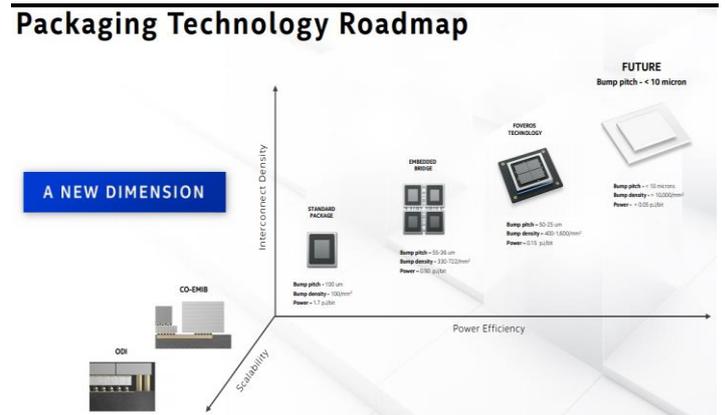
¹ Intel's six pillars of technology innovation are i) process & packaging; ii) XPU architecture; iii) memory; iv) interconnect; v) security and vi) software
September 11, 2020

Fig 2: Intel SuperFin delivers nearly 20% of performance improvement, comparable to a full node transition



Source: Intel

Fig 3: Intel’s packaging technology roadmap



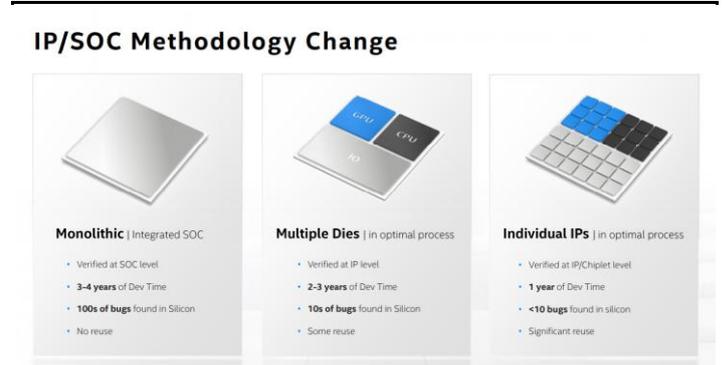
Source: Intel

Fig 4: Intel envisages a world where computing is immersive and personalised, which it dubs as Client 2.0



Source: Intel

Fig 5: Chiplets are able to cut down product development time and bugs significantly compared to monolithic approach.



Source: Intel

Opportunities for AEM

With Intel putting increasing emphasis on advanced packaging technologies, we see increased relevance for SLT, in turn spelling opportunities for AEM.

For starters, heterogeneously packaged chips offer greater scope for customization and complexity, which generally translate to lengthening test times. With a heterogeneously packaged chip, even if each IP has 100% yield, combining the different IPs to a package does not 100% coverage for the package. As such SLT can be used to provide greater coverage. Heterogeneously packaged chips (in particular 3D-stacked chips) are also more vulnerable to temperature-related defects compared to monolithic dies - hence, the need to test for reliability at extreme temperatures.

Currently, a key industry challenge with chiplets is the ability to ensure known-good die (i.e. chips, or in this case, chiplets, that are known to meet or exceed required specifications). Generally, ensuring KGD is done by hot testing a packaged part. However, with chiplets, the testing is essentially done on a bare die (i.e. pre-packaged), and the chiplet must be tested at the same level of capability as a packaged die. This increases challenges with probing because of the extra fine pads to set the probes on. As chiplets face KGD issues, we believe there will be an increasing reliance on SLT to capture defect chiplets at the packaged level, as combining a defective chiplet with other good chiplets will still result in a bad package.

In fact, we believe that with time, chipmakers will seek to address chiplet KGD issues to avoid the cumulative yield loss from defect chiplets affecting good chiplets combined with it. We do not rule out SLT at the wafer level as one of the potential tools that can be employed to ensure that chips are fully tested, qualified and reliable as to not jeopardize yield at the packaged level.

Takeaways from AEM's presentation at SEMI SEA Conference

We attended AEM's presentation at the SEMI SEA 2020 conference in Aug-20, entitled "System Level Test (SLT) for Automotive Devices - A Thermal Perspective". Our takeaways are as follows.

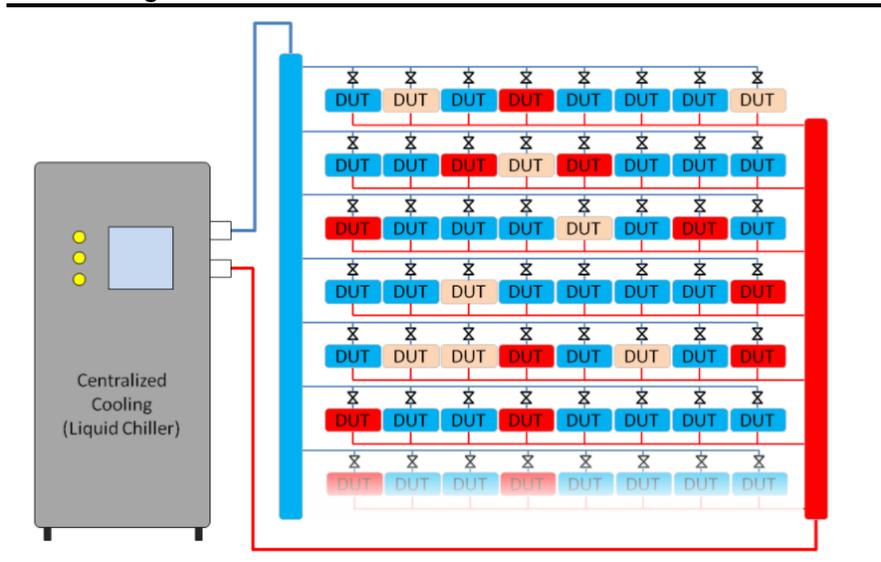
Testing automotive chips come with a few key challenges:

- Chips are frequently made using advanced process nodes - which increases the gap in test coverage.
- Automotive chips are often mission critical - and system level tests typically have long test times. As chips get increasingly mission critical, there is zero tolerance for errors and requirements are now defective parts per billion (DPPB) than defective parts per million (DPPM) in the past.
- Chips that have complex packaging come with new fault modes that are thermal related. Further, automotive parts are subject to more rigorous temperature environments and swings.

AEM believes testing system level test, with massive parallelism and active thermal control are the key to overcome these challenges, as:

- System level test is able to simulate final application environment, and hence is able to test for corner cases, which are even more pertinent for mission critical devices.
- To offset long-test times the solution requires high level of parallelism to boost throughput to make SLT cost effective.
- Active thermal control (ATC) on a per site basis allows for accurate temperature for each device under test (DUT). AEM's liquid cool solution is able to test hundreds of DUTs simultaneously, each at different temperature. This is advantageous over the chamber-based method, as in a large chamber, it is challenging to enable high parallelism, given temperature variations are likely higher due to uneven air flow. Liquid cooling is also more cost effective for high parallelism test, and allows for high ramp rate and extreme temperature swings, in addition of being good in handling extreme low temperatures. AEM's ATC solution for AMPS is architected to house up to 480 sites in a single handler, with temperature range from -40C to +125C.

Fig 6: AEM's ATC solution allows for different temperatures across 100s of DUTs with tight tolerances



Source: AEM, SSIA

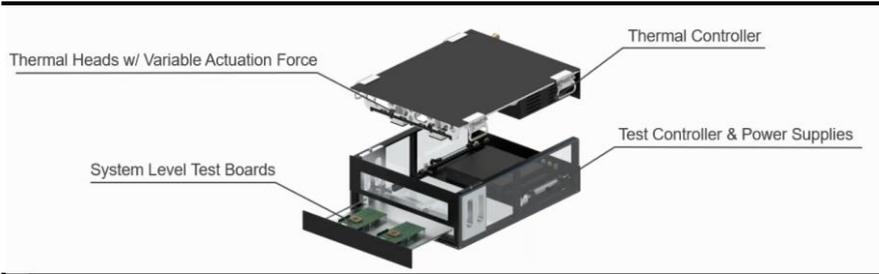
Additionally, AEM sees the benefits of an asynchronous, modular and massively parallel approach due to the following:

- Massive parallelism boosts handler utilization - Typically, SLT test times are long. As such, the handler spends much of its time being idle - without parallelism. A many-testers-to-one handler approach boosts handler utilization.
- Modularity allows for the system to easily scale up or down depending on requirements. E.g., less testers-to-one handler approach can be used for simple test with shorter test times, and more-testers-to-one handler approach can cater for complex tests with longer test time.
- Asynchronous operation allows for effective sharing of centralized resources (e.g. centralized cooling system), which in turn enhances cost effectiveness.

AEM also explained its approach for modularity to scale between low and high-volume environments:

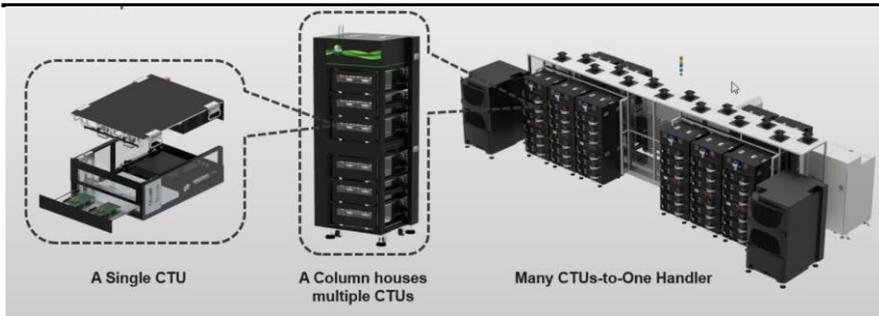
- A configurable test unit consists of build-in hardware and software for test. Each CTU operates as a complete asynchronous system, and is designed to support a wide range of test temperatures. (see Fig 7).
- A column houses multiple CTUs in a stacked fashion. Fig 8 shows a many CTUs-to-One handler approach.
- As the same hardware and software are used from engineering to production, AEM's AMPS solution is able to minimize correlation effort (see Fig 9).

Fig 7: A CTU



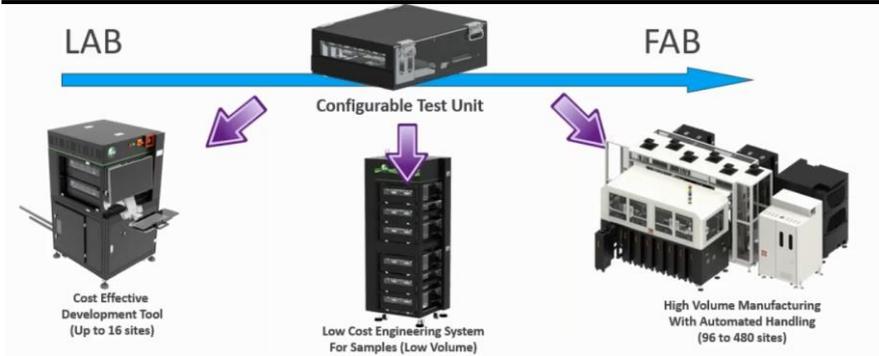
Source: AEM, SEMI

Fig 8: AMPS configuration set up



Source: AEM, SEMI

Fig 9: Same hardware and software used from engineering to production results in reduced minimised correlation effort.



Source: AEM, SEMI

Fig 10: Peers comparison

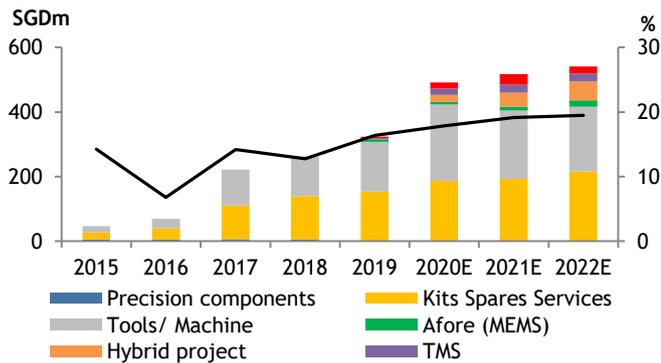
Company	BBG Code	MKE Rec	MKE TP (LC)	Price (LC)	FYE mm	Mcap USDm	P/E (x)				EV /EBI TDA (x) FY1	Div yield (%) FY1	ROE (%) FY1
							Act	FY1	FY2	FY3			
AEM	AEM SP	Buy	5.05	3.29	12	623	16.8	10.3	9.1	8.6	6.7	2.4	52.5
Global back-end test handler peers													
Cohu	COHU US	NR	-	16.17	12	677	179.7	31.6	12.4	9.2	13.0	0.4	4.6
Chroma ATE	2360 TT	NR	-	154.50	12	2,219	34.9	24.9	16.9	17.1	18.9	2.5	16.4
Pentamaster Corp	PENT MK	NR	-	4.38	12	748	37.5	38.6	29.6	25.1	20.0	0.2	14.6
Average							55.7	26.2	17.3	16.0	16.4	1.8	19.5
Global back-end equipment peers													
Koh Young Technology	098460 KS	NR	-	88,000	12	1,016	40.8	43.5	30.2	23.8	30.3	0.6	10.4
Advantest	6857 JP	NR	-	4,980	03	9,355	18.4	22.4	17.2	14.8	12.7	1.3	17.5
Vitrox	VITRO MK	Sell	6.60	12.30	12	1,391	72.6	50.8	39.2	38.3	46.8	0.5	-
Hirata	6258 JP	NR	-	5,770	03	584	34.3	18.2	13.3	13.0	10.3	1.1	6.7
ASM Pacific	522 HK	NR	-	78.95	12	4,165	51.9	31.5	16.7	13.9	14.0	-	8.6
BE Semiconductor	BESI NA	NR	-	38.45	12	3,636	36.3	27.4	19.8	17.2	19.6	3.5	34.2
KLA Corp	KLAC US	NR	-	174.46	06	27,122	16.9	15.4	14.2	12.8	12.3	2.1	58.0
Teradyne	TER US	NR	-	76.87	12	12,763	26.9	19.7	18.8	16.7	13.5	0.4	34.7
Average							24.7	20.6	17.0	15.1	14.3	1.6	40.2

Source: FactSet, Bloomberg, Maybank Kim Eng

Value Proposition

- Back-end test-equipment manufacturer that has co-developed the HDMT handler for a market-leading chipmaker with a market cap of USD210b.
- Leading-edge HDMT technology has helped its core customer achieve 2x savings in chip-testing costs.
- AEM provides strong synergies like field-service capabilities and manufacturing scale for the high-tech companies that it acquires.
- High single-customer and product risks.

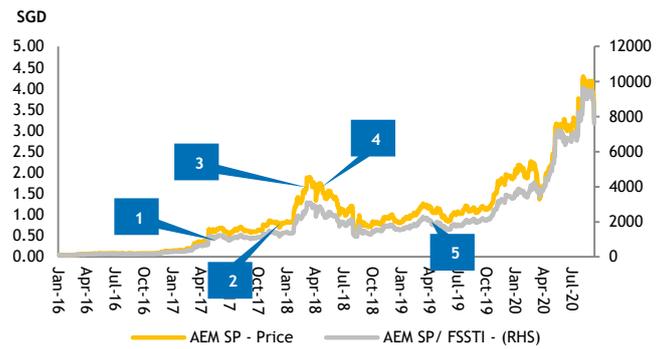
Share of new revenue sources progressively growing



Source: Company, Maybank Kim Eng

Price Drivers

Historical share price trend



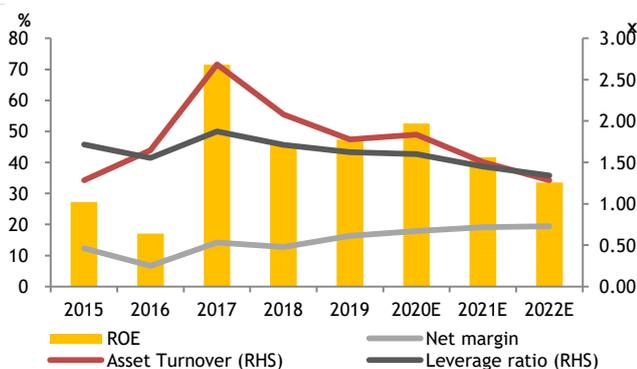
Source: Company, FactSet, Maybank Kim Eng

1. Announced favourable 1Q17 net profit as HDMT handlers delivery pick up momentum. There were also insider purchases.
2. Announced 2018 guidance for SGD255m in revenue and SGD42m PBT.
3. Announced accretive acquisition of Afore, Finnish-based MEMS test-solutions provider.
4. Novo Tellus distributes AEM shares in-specie to investors; Core customer announces 10nm delay.
5. AEM's core customer denies rumours from tech-blog SemiAccurate that its 10nm process was cancelled.

Financial Metrics

- We expect 65% YoY earnings growth in 2020E, driven by sustained sales to Intel and contributions from new initiatives and customers.
- AEM is not a capex-intensive company. Improved cash-flow from 2016 levels has allowed AEM to pursue highly synergistic acquisitions.
- Training a batch of engineers during pre-production ramp up could take 5-6 months. During such time, staff costs could be elevated and profitability could temporarily decline.
- Adopted 25% dividend payout ratio policy in 2017.

DuPont ROE



Source: Company, Maybank Kim Eng

Swing Factors

Upside

- Revenue expansion from securing new customers or wallet expansion/increased orders from existing customers.
- Synergistic and accretive acquisitions.
- Positive customer-related news flow that could catalyse improved orders for AEM, such as capacity expansion or launch of new chips.

Downside

- Order cancellation, delays and earnings misses.
- Emerging technology from rivals that could erode AEM's competitive position with customer(s).
- Erosion in the competitive advantages of the core customer as a result of company specific or industry related developments.

FYE 31 Dec	FY18A	FY19A	FY20E	FY21E	FY22E
Key Metrics					
P/E (reported) (x)	9.2	6.2	10.3	9.1	8.6
Core P/E (x)	6.7	10.3	10.3	9.1	8.6
Core FD P/E (x)	6.7	10.4	10.3	9.1	8.6
P/BV (x)	2.5	4.1	4.5	3.3	2.6
P/NTA (x)	2.5	4.1	4.5	3.3	2.6
Net dividend yield (%)	4.1	2.5	2.4	2.7	2.9
FCF yield (%)	12.2	11.1	7.2	12.3	10.8
EV/EBITDA (x)	4.0	6.3	6.7	5.4	4.5
EV/EBIT (x)	4.1	6.9	7.3	5.7	4.8

INCOME STATEMENT (SGD m)

Revenue	262.3	323.1	491.5	517.3	541.3
Gross profit	89.1	130.8	194.6	210.5	223.0
EBITDA	41.9	69.5	112.3	125.7	133.2
Depreciation	(1.9)	(4.4)	(4.6)	(4.6)	(4.4)
Amortisation	0.0	(1.5)	(3.6)	(3.6)	(3.6)
EBIT	40.0	63.6	104.1	117.5	125.2
Net interest income / (exp)	(0.0)	(0.2)	0.8	0.8	0.8
Associates & JV	(0.0)	0.5	1.0	1.0	1.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	40.0	63.9	105.9	119.3	127.0
Income tax	(6.5)	(11.0)	(18.0)	(20.3)	(21.6)
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	33.5	52.9	87.9	99.0	105.4
Core net profit	33.5	52.9	87.9	99.0	105.4

BALANCE SHEET (SGD m)

Cash & Short Term Investments	58.8	107.7	147.4	230.1	297.5
Accounts receivable	21.7	28.0	50.1	46.2	48.7
Inventory	28.2	57.5	74.3	68.6	79.6
Property, Plant & Equip (net)	5.7	6.4	5.8	5.2	4.7
Intangible assets	16.8	19.0	19.0	19.0	19.0
Investment in Associates & JVs	4.2	4.6	5.6	6.6	7.6
Other assets	0.2	4.9	4.9	4.9	4.9
Total assets	135.5	228.0	307.0	380.5	462.0
ST interest bearing debt	0.2	0.0	0.0	0.0	0.0
Accounts payable	36.6	73.1	92.8	92.1	94.5
LT interest bearing debt	0.0	0.0	0.0	0.0	0.0
Other liabilities	9.0	20.0	14.0	14.0	14.0
Total Liabilities	46.0	93.6	106.8	106.1	108.5
Shareholders Equity	89.5	134.3	200.2	274.5	353.5
Minority Interest	0.0	0.0	0.0	0.0	0.0
Total shareholder equity	89.5	134.3	200.2	274.5	353.5
Total liabilities and equity	135.5	228.0	307.0	380.5	462.0

CASH FLOW (SGD m)

Pretax profit	40.0	63.9	105.9	119.3	127.0
Depreciation & amortisation	1.9	5.9	8.2	8.2	8.0
Adj net interest (income)/exp	0.0	0.0	0.0	0.0	0.0
Change in working capital	(6.2)	2.3	(25.8)	8.9	(11.1)
Cash taxes paid	(4.2)	(5.8)	(18.0)	(20.3)	(21.6)
Other operating cash flow	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	31.5	65.8	69.3	115.1	101.4
Capex	(4.0)	(5.1)	(4.0)	(4.0)	(4.0)
Free cash flow	27.5	60.7	65.3	111.1	97.4
Dividends paid	(8.4)	(10.5)	(22.0)	(24.7)	(26.4)
Equity raised / (purchased)	6.0	0.0	0.0	0.0	0.0
Change in Debt	0.3	(0.3)	0.0	0.0	0.0
Other invest/financing cash flow	(1.7)	(1.3)	(3.6)	(3.6)	(3.6)
Effect of exch rate changes	(11.0)	0.2	0.0	0.0	0.0
Net cash flow	12.7	48.9	39.7	82.7	67.4

FYE 31 Dec	FY18A	FY19A	FY20E	FY21E	FY22E
Key Ratios					
Growth ratios (%)					
Revenue growth	18.4	23.2	52.1	5.2	4.6
EBITDA growth	11.3	65.8	61.6	11.9	6.0
EBIT growth	8.3	58.8	63.6	12.9	6.6
Pretax growth	8.5	59.9	65.6	12.6	6.5
Reported net profit growth	6.4	58.1	66.0	12.6	6.5
Core net profit growth	6.4	58.1	66.0	12.6	6.5
Profitability ratios (%)					
EBITDA margin	16.0	21.5	22.8	24.3	24.6
EBIT margin	15.3	19.7	21.2	22.7	23.1
Pretax profit margin	15.2	19.8	21.5	23.1	23.5
Payout ratio	27.6	26.0	25.0	25.0	25.0
DuPont analysis					
Net profit margin (%)	12.8	16.4	17.9	19.1	19.5
Revenue/Assets (x)	1.9	1.4	1.6	1.4	1.2
Assets/Equity (x)	1.5	1.7	1.5	1.4	1.3
ROAE (%)	45.5	47.3	52.5	41.7	33.6
ROAA (%)	26.6	29.1	32.9	28.8	25.0
Liquidity & Efficiency					
Cash conversion cycle	5.2	5.2	7.9	8.9	9.9
Days receivable outstanding	31.0	27.7	28.6	33.5	31.6
Days inventory outstanding	66.5	80.2	79.9	83.8	83.8
Days payables outstanding	92.3	102.7	100.6	108.5	105.5
Dividend cover (x)	3.6	3.8	4.0	4.0	4.0
Current ratio (x)	2.4	2.2	2.6	3.4	4.1
Leverage & Expense Analysis					
Asset/Liability (x)	2.9	2.4	2.9	3.6	4.3
Net gearing (%) (incl perps)	net cash				
Net gearing (%) (excl. perps)	net cash				
Net interest cover (x)	nm	nm	na	na	na
Debt/EBITDA (x)	0.0	0.0	0.0	0.0	0.0
Capex/revenue (%)	1.5	1.6	0.8	0.8	0.7
Net debt/ (net cash)	(58.5)	(107.7)	(147.4)	(230.1)	(297.5)

Source: Company; Maybank

Research Offices

MACRO

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

ECONOMICS

Suhaimi ILIAS
Chief Economist
Malaysia | Philippines | Global
(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

William POH
(603) 2297 8683
william.poh@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

TAN Yanxi
(65) 6320 1378
tanyx@maybank.com.sg

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

STRATEGY

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

Anand PATHMAKANTHAN
ASEAN
(603) 2297 8783
anand.pathmakanthan@maybank-ib.com

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

REGIONAL EQUITIES

Anand PATHMAKANTHAN
Head of Regional Equity Research
(603) 2297 8783
anand.pathmakanthan@maybank-ib.com

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

ONG Seng Yeow
Research, Technology & Innovation
(65) 6231 5839
ongsengyeow@maybank-ke.com.sg

MALAYSIA

Anand PATHMAKANTHAN *Head of Research*
(603) 2297 8783
anand.pathmakanthan@maybank-ib.com
• Strategy

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

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

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

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

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
• Petrochemicals

Kevin WONG
(603) 2297 8682 kevin.wong@maybank-ib.com
• REITs • Consumer Discretionary • Technology

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

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
• Chartist

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

SINGAPORE

Thilan WICKRAMASINGHE *Head of Research*
(65) 6231 5840 thilanw@maybank-ke.com.sg
• Banking & Finance - Regional
• Consumer

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

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

Kareen CHAN
(65) 6231 5926 kareench@maybank-ke.com.sg
• Transport

TAN Chin Poh *Head of Retail Research*
(65) 6231 5928 chinpoh@maybank-ke.com.sg

Eric ONG
(65) 6231 5924 ericong@maybank-ke.com.sg
• Retail Research

Matthew SHIM
(65) 6231 5929
matthewshim@maybank-ke.com.sg
• Retail Research

INDIA

Jigar SHAH *Head of Research*
(91) 22 4223 2632 jigars@maybank.com
• Strategy • Oil & Gas • Automobile • Cement

Neerav DALAL
(91) 22 4223 2606 neerav@maybank.com
• Software Technology • Telcos

Kshitiz PRASAD
(91) 22 4223 2607
kshitiz@maybank.com
• Banks

Vikram RAMALINGAM
(91) 22 4223 2607
vikram@maybank.com
• Automobile • Media

INDONESIA

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

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

Willy GOUTAMA
(62) 21 8066 8500
willy.goutama@maybank-ke.co.id
• Consumer

PHILIPPINES

Romel LIBO-ON
(63) 2 8849 8844
romel_libo-on@maybank-atrke.com
• Property

Fredrick De GUZMAN
(63) 2 8849 8847
fredrickdaniel.deguzman@maybank.com
• Consumer • Banking & Finance

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

Jesada TECHAHUSDIN, CFA
(66) 2658 6300 ext 1395
jesada.t@maybank-ke.co.th
• Banking & Finance

Kaushal LADHA, CFA
(66) 2658 6300 ext 1392
Kaushal.l@maybank-ke.co.th
• Oil & Gas - Regional
• Petrochemicals - Regional

Vanida GEISLER, CPA
(66) 2658 6300 ext 1394
Vanida.G@maybank-ke.co.th
• Property

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

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

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

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

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

Theerasate PROMPONG
(66) 2658 5000 ext 1400
theerasate.p@maybank-ke.co.th
• Equity Portfolio Strategist

Apiwat TAVESIRIVATE
(66) 2658 5000 ext 1310
apiwat.t@maybank-ke.co.th
• Chartist and TFXE

VIETNAM

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

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

Nguyen Thi Sony Tra Mi
(84 28) 44 555 888 ext 8084
mi.nguyen@maybank-kimeng.com.vn
• Consumer

Tyler Manh Dung Nguyen
(84 28) 44 555 888 ext 8180
dung.nguyen@maybank-kimeng.com.vn
• Utilities

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

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

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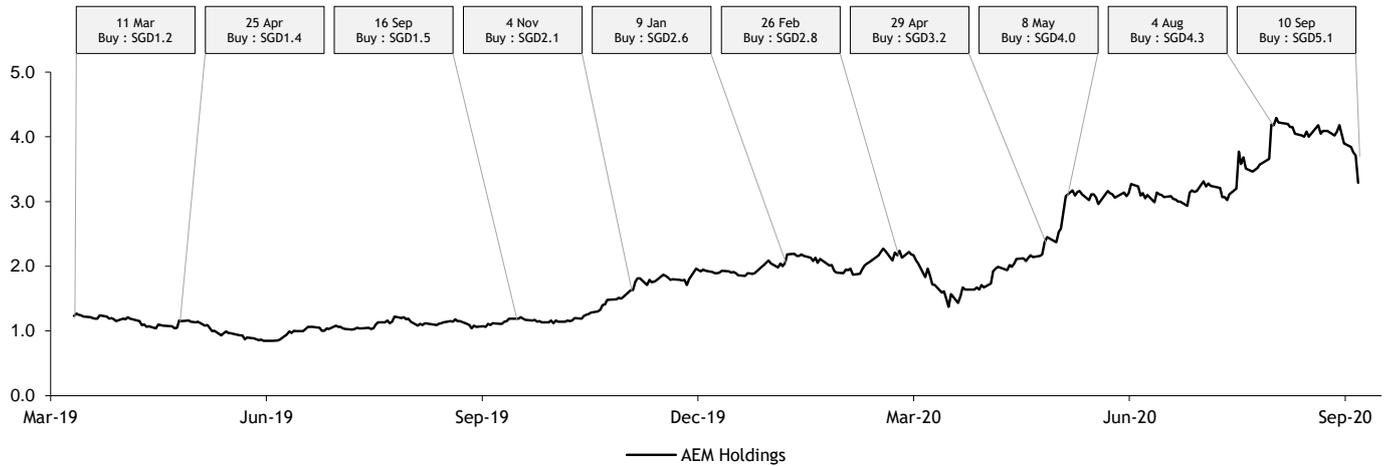
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Malaysia

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


Philippines

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

Tel: (63) 2 8849 8888
Fax: (63) 2 8848 5738


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


Singapore

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

Tel: (65) 6336 9090


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


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)


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


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


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


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


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


India

Kim Eng Securities India Pvt Ltd
1101, 11th floor, A Wing, Kanakia
Wall Street, Chakala, Andheri -
Kurla Road, Andheri East,
Mumbai City - 400 093, India

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


Saudi Arabia

In association with
Anfaal Capital
Ground Floor, KANOO Building
No.1 - Al-Faisaliyah, Madina Road,
P.O.Box 126575 Jeddah 21352
Kingdom of Saudi Arabia

Tel: (966) 920023423