SAC ADVISORS

United Global Limited

Date: 6 June 2017

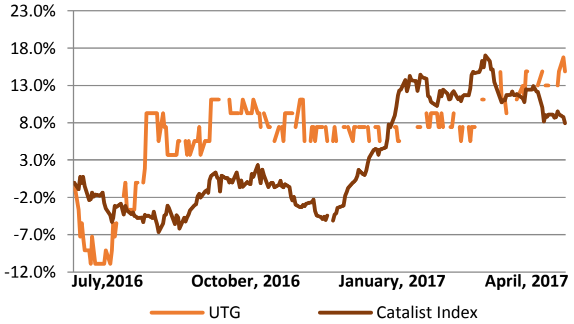
BUY

(Initiating coverage)

Target Price: S$0.370 (+21%)

UTG SP

Price: S$0.305 (as at 1 June 2017)



Share price	1M	3M	6M	1Y
United Global	1.6%	3.0%	4.6%	N/A
Catalist Index	-1.8%	-1.5%	12.3%	15.3%

Market capitalisation	S$86.2 million US$61.6 million	
Current Price	S$0.305	
Shares outstanding	282,812,360	
Free Float	14.4%	
Major shareholder	Wiranto Tan Thuan Hor	50.9% 34.6%
Recommendation of other brokers	N/A	

Source: Company data, Bloomberg, SAC Capital

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High Performance Lubricants

A lubricant manufacturer and trader. Established in 1999, United Global Limited ("**UTG**", "**Company**" or "**Group**") is an established and independent lubricant manufacturer and trader providing a wide range of high quality, well-engineered lubricants under its in-house brands. The Group supplies lubricant products to over 30 countries and territories, serving mainly the automotive, industrial and marine sectors.

Strong earnings growth of 9% CAGR (FY16 – FY19E). We expect UTG's normalised earnings to increase 13.9% year-on-year ("**y-y**") in FY17, with half year of contribution from PLI. We view the acquisition of PLI as a major game changer for UTG. We expect UTG's earnings to increase by 3.9% and 10.1% in FY18 and FY19 with the consolidation of full-year earnings from PLI and cost savings that can be realised from the consolidation.

The global lubricants industry is forecasted to expand at a CAGR of 2.4% with Asia poised to be the key driver of growth. The key growth driver is expected to come from the burgeoning middle income class in emerging markets that will continue to fuel an expansion in construction activity, rising demand for industrial machinery and automobiles.

Initiating coverage with a BUY with a target price of S$0.37. The stock is currently trading at 10.1x FY17 P/E, with a 3.4% dividend yield. UTG is also currently in a net cash position, with high average ROE of 23% from FY17E-19E. Our target price of S$0.37 is derived from our DCF (Cost of equity: 7.5% and terminal growth of 2.0%), representing 10.1x FY17 P/E.

Key risks: (i) Exposure to fluctuations in base oil prices and cost of raw materials and (ii) wide exposure to different sectors.

Key Historical Financials

Year ended December (US$'000)	FY2014A	FY2015A	FY2016A	FY2017E	FY2018E	FY2019E
Revenue	118,690	99,860	91,542	94,181	96,673	102,487
% Growth	N/A	-15.9%	-8.3%	2.9%	2.6%	6.0%
Gross profit	11,587	13,936	14,229	15,069	15,468	16,398
Gross profit margin (%)	9.8%	14.0%	15.5%	16.0%	16.0%	16.0%
Profit before tax	4,182	7,549	6,907	8,253	8,677	9,434
Profit attributable to owners	3,366	6,241	5,646	6,429	6,677	7,349
% Growth	2.8%	85.4%	-9.5%	13.9%	3.9%	10.1%
Profit after tax margin (%)	2.8%	6.2%	6.2%	7.2%	7.3%	7.5%
Basic EPS (US$ cents)*	1.4	2.6	2.2	2.2	2.1	2.3
Basic EPS (S$ cents)*	1.7	3.6	3.1	3.0	3.0	3.3
Core P/E (x)				10.1x	10.3x	9.4x
Net Debt/Equity			Net Cash	Net Cash	Net Cash	Net Cash

**Earnings per share for FY14 and FY15 was calculated based on the IPO pre-placement share capital of 240,012,360 shares*

N/A: Not applicable

Exchange rate: USD/SGD: 1.40

Investment Highlights

Proposed acquisition of PT Pacific Lubritama Indonesia. United Global announced their proposed acquisition of 95% stake in PT Pacific Lubritama Indonesia ("**PLI**") from related parties, for S$18.2m, or 6.5x FY16 PE and 1.1x FY16 price to book ("**P/B**"). The acquisition will be funded through cash of S$8.2m and 33.4m new shares at S$0.30. Post completion, the founding shareholders' stakes will increase to 87%.

The acquisition is expected to be EPS accretive. With the increased capacity from PLI, UTG's blending capacity will rise by almost 3 folds, from 44,000 MT/year to 124,000 MT/year. We therefore do not expect any major capital expenditure needs in the near- to mid- term.

Strong earnings growth of 9.2% CAGR (FY16 – FY19E). We expect UTG's normalised earnings to increase 13.9% year-on-year ("**y-y**") in FY17, with half year of contribution from PLI. We view the acquisition of PLI as a major game changer for UTG, given that when we exclude the contribution from PLI, normalised earnings is expected to increase by only 11.0% y-y in FY17. We expect UTG's earnings to increase by 3.9% and 10.1% in FY18 and FY19 with the inclusion of full-year earnings from PLI and cost savings to be derived from the consolidation.

The global lubricants industry is forecasted to expand at a CAGR of 2.4% with Asia poised to be the key driver of growth. The key growth driver are: 1) rising vehicle population; 2) increase in construction activities in the emerging markets; 3) rebound in commodities prices fuelling mining activities; and 4) growth in the agricultural industries leading to rising demand for industrial machinery and automobiles.

Initiating coverage with a Buy with a target price of S$0.37. The stock is currently trading at 10.1x FY17 P/E, with a 3.4% dividend yield. UTG is also currently in a net cash position, with high average Return on Equity of 23% from FY17E-19E. Our target price ("**TP**") of S$0.37 is derived from the discounted cash flow ("**DCF**") (Cost of equity: 7.5% and terminal growth of 2.0%), representing 10.1x FY17 P/E.

Business Overview:

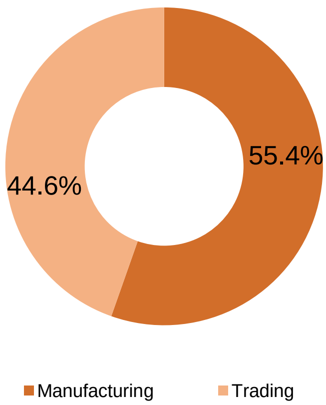
United Global is an established independent lubricant manufacturer and trader providing a wide range of high quality, well–engineered lubricants under their in-house brands such as "United Oil", "U Star Lube", "Bell1" and "HydroPure" as well as manufacturing lubricants for third-party principals' brands. Their core business is in the trading of base oils, additives and lubricants. They supply lubricant products globally to over 30 countries and territories and mainly serve the automotive, industrial and marine sectors.

United Global's Product Testing Lab

Source: SAC Capital

Company Background

Revenue Breakdown (FY2016)



Source: Company data, SAC Capital

- United Global is an established independent lubricant manufacturer and a lubricant, base oils and additives trader, providing a wide range of high quality, well-engineered lubricants and specialty fluids for automotive, industrial and marine applications as well as metal working fluids. They supply lubricants globally to customers from over 30 countries and territories.

- Their business is divided into two main business segments:

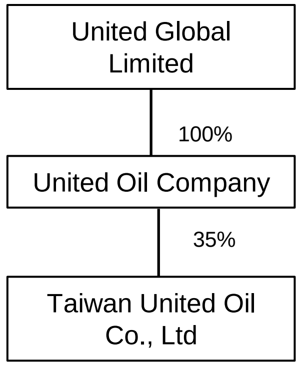
(a) Manufacturing of lubricants: This is done under their in-house brands, such as “United Oil”, “U Star Lube” and “Bell 1”, and manufacturing lubricants for third party principals for their respective brands; and

Source: Company data

(b) Trading: Base oils, additives and lubricants. This is done by buying from their suppliers and on-selling these to other customers who require such raw materials. They are able to derive revenue from trading by buying their raw materials in bulk, and selling them to other parties who may not be able to take advantage of the economies of scale that they have by purchasing and transporting in large quantities, as well as their long-term relationships with their suppliers. They also trade lubricants that are not manufactured by them.

Business Segment	Products / Services
Manufacturing	• Automotive • Industrial • Marine • Specialty Fluids • Metal Working Fluids
Trading	• Includes lubricants not manufactured by them

Corporate Structure



Source: Company data

Overview on Corporate Structure

Principal business activities:
(i) United Oil Company Pte Ltd: Manufacturing and distribution of petroleum and oil-based products.

(ii) Taiwan United Oil Co., Ltd: Distribution of lubricants.

Corporate History

UTG was founded in March 1999 when their Directors, Wiranto and Jacky Tan, incorporated their wholly-owned subsidiary, United Oil Company. Operations of their Group started in April 1999 after United Oil Company took over the lubricant blending facility of an international oil company.

Source: Company data

Upon United Oil's incorporation, they established the "United Oil" brand of products and commenced the production of lubricants for the automotive, industrial, marine and other sectors and began the marketing of their products in the ASEAN region. Within the first year of their inception, they had established distributorship networks in Indonesia, Malaysia, Thailand and Myanmar.

Subsequently, between 1999 and 2007, having established their brand name in the ASEAN region, they expanded further, venturing into the People's Republic of China ("**PRC**") (including Hong Kong and Taiwan). From 2003 to 2007, they also further expanded their distributorship network and commenced sale of their lubricants to the Pacific Islands, Cambodia and New Zealand.

Between 2008 and 2013, they expanded their network of distributors in new markets such as Japan, Korea, Pakistan, Yemen, Bahrain, Lebanon, Cyprus, Gabon, Ghana and Kenya.

In 2015, they entered into a strategic cooperation framework agreement with CNOOC to collaborate and market lubricants in the PRC and other markets. To this end, in 2015, they launched the "HydroPure" brand with CNOOC. The initial focus of the strategic cooperation was to supply the lubricants to CNOOC for its own use, and subsequently, to CNOOC's customers, and to the wider consumer market internationally.

Geographical revenue breakdown

	2015	2016
Indonesia	33.8%	34.2%
Greater China	18.7%	16.6%
Singapore	12.0%	15.4%
Oceania Countries	9.3%	9.4%
Malaysia	8.3%	9.0%
Other Asian countries	9.6%	8.3%
Myanmar	6.8%	5.3%
Others	1.6%	1.7%
Total	100.0%	100.0%

Source: Company data, SAC Capital

Industry Overview

The global lubricants industry is projected to expand at a CAGR of 2.4% in volume from 36.4 million tons in 2014 to 43.9 million tons in 2022 (Grand View Research). They key growth driver is the burgeoning middle income class in emerging markets that will continue to fuel an expansion in construction activity and rising demand for industrial machinery and automobiles.

Asia To Be Key Driver of Growth

Asia-Pacific will likely account for most of the demand and demand growth in the future, picking up the slack from flattish or declining demand from North America and Europe. This is according to data from Ipsos Business Consulting, which showed that Asian demand increased over the period from 33% of the global lubricant volume consumption share in 2007 to 45% in 2015. Going forward, we see the growth in lubricants continue to come from Asia as a result of growth in industry and the vehicle population.

(i) Growth in Industry

A broad recovery in manufacturing and mining activity globally will continue to support the growth in industrial lubricants – used to minimise friction between moving parts in engine or components. The JP Morgan Global Manufacturing Purchasing Managers Index has held above the 50 mark for 14 consecutive months, indicating strength of the recovery in global manufacturing.

In Asia, infrastructure investment by China, such as the US$720 billion domestic transport infrastructure projects and US$900 billion One Belt One Road initiatives, will serve to further stimulate demand from the construction sector. ASEAN will also see rising consumption of industrial lubricants from the expanding manufacturing sector which has attracted growing foreign direct investments ("**FDI**") from US$18 billion in 2014 to US$29 billion in 2015.

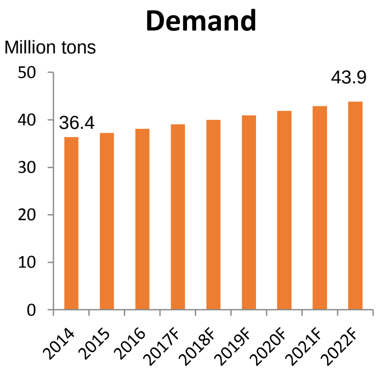
(ii) Growth in vehicle population

According to research firm Market Research Globe, the global consumer automotive lubricants segment is expected to grow at a CAGR of 2.7% between 2015 and 2022. The growth is expected to be driven by the acceleration in automotive sales in Asia from an expanding middle income class and improvement in road infrastructure. The Economist estimates that the middle income class in ASEAN is expected to increase from 172 million in 2010 to 454 million in 2030.

This surge in middle income has resulted in the rising vehicle ownership in Asia, with passenger car ownership forecasted to rise by a CAGR of 1.6% by 2020. Motorcycles on the road is expected to outpace that of passenger cars however, with a CAGR of 4.6% by 2020. Indonesia and Vietnam are amongst the largest growth and user markets for motorcycles in ASEAN.

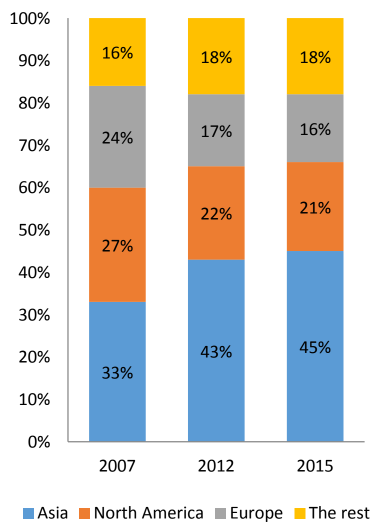
Significant investments have also been made in road infrastructure, the number of ongoing road infrastructure projects in ASEAN from 2013 to 2025 made up a total of US$100 billion.

Projected volume growth of global lubricants



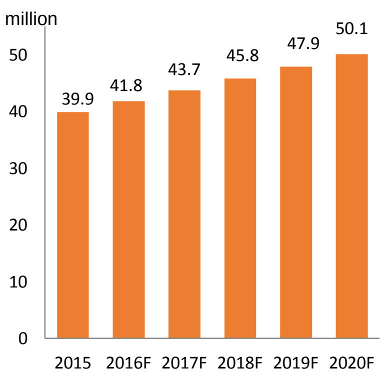
Source: Grand View Research, SAC Capital

Global Lubricant Volume Consumption Share, 2007 - 2015



Source: Ipsos Business Consulting, SAC Capital

Passenger cars on the road



Source: Ipsos Business Consulting, SAC Capital

Industry Overview

Competitive landscape

The global lubricants industry is concentrated in nature with the top four companies, namely Chevron, British Petroleum ("**BP**"), ExxonMobil, and Shell accounting for around 40% of total demand in 2015.

ASEAN

International brands have a strong presence in ASEAN. Among them, Shell is the most established brand, with a strong presence in almost all of the five – Indonesia, Thailand, Malaysia, Vietnam and Philippines - mature emerging markets in ASEAN. Other major players include BP Castrol, which has the largest presence in the Vietnamese motorcycle market, while Caltex and ExxonMobil also have a presence in the above mentioned markets.

When compared to the international brands, the market shares of the ASEAN national brands are less concentrated, with a stronger presence in their own countries. However, many of the national brands – Petronas, PTT, Pertamina and Petron - do have a presence in the other ASEAN markets.

Outlook

We think that the outlook for FDI in the region continues to remain strong due to the availability of skilled labour, pro-business climate and improving infrastructure which have transformed the region into one of the top destinations for FDI in the manufacturing sector. According to statistics compiled by ASEAN, from 2013 to 2015, net FDI inflows into ASEAN consistently exceeded US$120 billion every year.

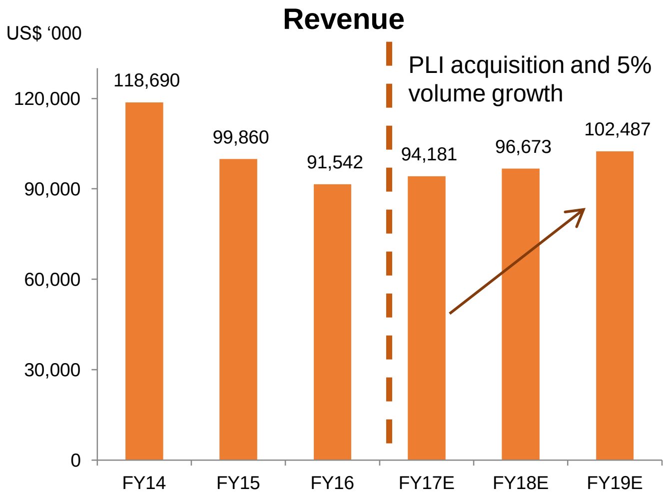
This investment takes many forms, ranging from automotive hubs in Thailand and Indonesia, electrical and electronics clusters in Malaysia, food manufacturing and processing plants in Philippines, to petroleum and metal-based manufacturing in Vietnam.

The benefits of FDIs to ASEAN's development are critical. They act as catalysts for local industries to move up the value chain. As a result, manufacturing in ASEAN has gained traction in the world stage, and will in our view, continue to support the growth of lubricants demand.

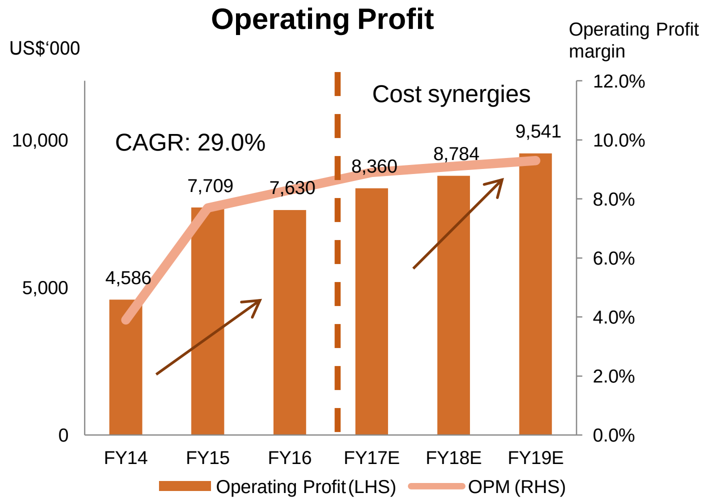
Financial Analysis

Revenue

Despite registering y-y declines in revenue from FY14 to FY16, this was the result of declining average selling prices ("**ASP**") - a result of lower oil prices. The sales volume held steady during this period.



Source: Company data, SAC Capital



Source: Company data, SAC Capital

We estimate that UTG's overall sales volume increased 7.4% and 2.5% for FY14 and FY15 respectively but dipped slightly - 0.7% - in FY16. Despite recording lower Group revenue from lower ASP, UTG managed to see gross profit increase by a three-year CAGR of 10.8%. UTG also benefitted from lower raw material costs which drove gross margins up by 570 basis points in the last three years.

Moving forward, we estimate that UTG will see an overall 3.8% three-year CAGR increase of revenue from FY17 – FY19 as we factor in the increased contribution from PLI. We derived the incremental revenue contribution from PLI by estimating a 6% net margin based on their net profit attributable to shareholders for FY16. We factored in half year of incremental contribution from PLI for FY17 and the full year contribution for FY18 and FY19 to derive our revenue forecasts.

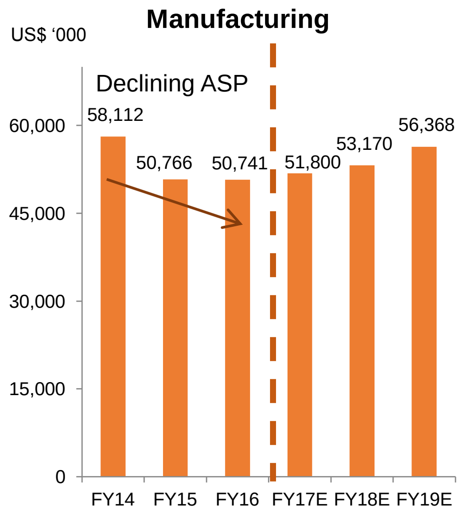
We expect the acquisition to drive operating margin improvement as UTG realises cost synergies from the acquisition of PLI. We expect cost savings to come specifically from lower cost of production from increased production in Indonesia and the lower cost of borrowing. We project operating profit to increase by a three-year CAGR of 7.7% and normalised operating margins to increase by 20 basis points respectively for FY18 and FY19.

Financial Analysis

Revenue model

- The core business can be categorised into two business segments:

(a) Manufacturing: UTG manufactures lubricants under their in-house brands, such as “United Oil”, “U Star Lube” and “Bell1”, and manufacturing lubricants for third party principals for their respective brands. They are also a specialist in ATFs providing a wide range of products that are catered to specific transmission needs. They distribute their products directly and through distributors to their end customers. They currently have a network of distributors in more than 30 countries and territories.



Source: Company data, SAC Capital

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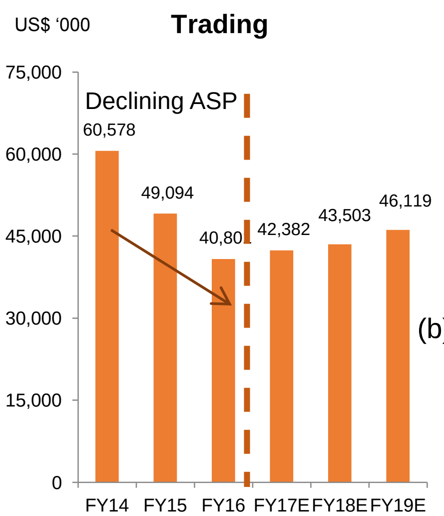

Source: Company data, SAC Capital

(b) Trading: UTG trades in base oils and additives, by buying from their suppliers and on-selling these to their customers who may require such products. They are able to derive revenue from trading by buying raw materials in bulk, something which smaller firms will find difficult to do. The economies of scale they derive is also built on the long-term relationship with their suppliers. They also trade in lubricants that are not manufactured by them.

Revenue Breakdown (%)	FY14	FY15	FY16	FY17E	FY18E	FY19E
Manufacturing	49.0%	50.8%	55.4%	55.0%	55.0%	55.0%
Trading	51.0%	49.2%	44.6%	45.0%	45.0%	45.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company data, SAC Capital

Financial Analysis

Cash Conversion Cycle

UTG has improved their cash conversion cycle days from about 50 days in 2015 to 38 days in 2016, due to better trade receivable days. We compared this to Singapore-listed AP Oil, which had a higher cash conversion cycle of about 46 days in 2016 due to higher trade receivable and inventory days.

When we compare UTG to their industry peers, they have a more superior cash conversion cycle days profile of 38 days versus the industry average of 53 days.

United Global's Cash Conversion Cycle

Days	2015	2016
Trade receivable days	59.5	49.4
Inventory days	17.1	18.3
Trade payable days	26.5	29.5
Cash Conversion Cycle	**50.1**	**38.3**

Source: SAC Capital

AP Oil's Cash Conversion Cycle

Days	2015	2016
Trade receivable days	50.9	58.4
Inventory days	33.0	39.6
Trade payable days	42.3	51.3
Cash Conversion Cycle	**41.6**	**46.7**

Source: SAC Capital

Management

Mr Wiranto is the Non-Executive Chairman and is responsible for the overall strategic direction of their Group. He is also the director of their subsidiary, United Oil Company Private Ltd ("**United Oil**"). He is one of the founders of the Group and has contributed instrumentally to the success of the Group with his experience. In particular, he has founded and grown several quarry and mining companies in Indonesia, and has more than 30 years of experience in the quarry and mining industry, providing business direction and management to develop the operations and scale of these companies.

Mr Tan Thuan Hor, Jacky is their Executive Director and Chief Executive Officer, and is responsible for the overall strategic, management and business development of our Group. He co-founded the Group with and has more than 18 years of experience in the lubricant industry. Prior to founding their Group, he had eight years of working experience, having served as the general manager and operations director of two quarry and mining companies in Indonesia which operated several quarries and mining operations. During this period, he led various initiatives to improve the overall operations of the quarries to improve output yield. He graduated from the University of Canberra with a Bachelor of Applied Science in Building in 1991.

Ms Ety Wiranto is their Executive Director and is responsible for the overall business operations of their Group. She joined the Group soon after its incorporation in 1999 and has played an instrumental role in the development and growth of their Group and their business segments. Prior to joining their Group, she was the finance manager of an Indonesian company from 1991 to 1998 where she had implemented and maintained the accounting and procedures system and was responsible for all finance related matters. She graduated from the University of Canberra in 1991 with a Bachelor degree in Commerce.

Mr Lim Hock Choon, Alex is their General Manager and has been with United Oil since its incorporation in 1999. He is responsible for assisting the Executive Directors in overseeing all operational aspects of the business, including but not limited to addressing technical queries in relation to their Group's products, as part of the business' customer service support. He has more than 27 years of experience in the lubricant industry. He first ventured into the lubricant business working as a chemist and subsequently, the production manager for Imexco Petroleum Pte. Ltd., a company which was subsequently acquired by Cosmo Lubricants Pte. Ltd. in 1989.

Future Plans

Realise cost synergies from PLI acquisition
UTG is currently undertaking due diligence on PLI. Post-acquisition, we believe that UTG will be able to realise cost synergies from PLI. One such area is lower borrowing costs. The cost of borrowing in Indonesia is currently about 11 to 12% as compared to the 1.8% to 2% that UTG is paying now.

We believe UTG will look to increase their production in Indonesia after completing the acquisition. Post-acquisition, PLI will increase the annual maximum capacity from 44,000 to 124,000 metric ton per annum. We think that UTG can lower their production costs by increasing their production overseas to Indonesia.

Joint ventures to propel UTG's growth strategy. On 5th December 2016, UTG entered into a shareholder's agreement with their Taiwan distributor, Jin Wei Chuang Co. Ltd, to set up a 35%:65% joint venture in Taiwan to distribute their brands of lubricants as well as to trade third-party lubricant products. In January 2017, they also announced a three-year joint operation agreement with their long-time customer in Myanmar, Lighthouse Enterprise Ltd, to promote, market, distribute and sell specialised lubricants in the emerging market.

Key Risks

Exposed to fluctuations in base oil prices and costs of raw materials
The raw materials used in the manufacturing of their products include base oils and additives. These typically account for over 90% of their costs. While they generally sell their products to their customers on a cost-plus basis, thereby allowing them to pass on any increases in the price of raw materials, there is no assurance that they will be able to pass on the costs as there is generally a lead time between the purchase of their raw materials and the time of sale of their lubricants.

Wide exposure to different sectors
Their products are sold to customers in various sectors such as the automotive, industrial, marine, construction and agricultural industries. They are therefore dependent on the growth and outlook of these sectors, and are indirectly exposed to the uncertainties and business fluctuations of these sectors.

Valuation

UTG is currently trading at 8.9x FY2016's normalised earnings, which represents a discount of 74.4% to the other lubricant manufacturers in the region partly due to their smaller size. When we compare UTG to their Singapore-listed peer AP Oil, UTG trades at a 16.0% discount to their normalised earnings in part due to their shorter listing history.

Name	Ticker	Price (local currency)	Mkt Cap (US$mn)	Revenue LFY* (US$mn)	Net Margin %	P/E (LFY*) (x)	ROE %	Cash conversion cycle days	Net Debt/ Equity %	Dividend yield %
Lubricants										
Qingdao Copton Technology	603798 CH	53.89	786.7	121.2	14.1%	52.8x	20.3%	11.9	Net Cash	0.9%
Jiangsu Lopal Tech Co Ltd	603906 CH	23.73	719.7	153.8	8.7%	53.7x	14.9%	100.7	12.8%	N/A
GP Petroleums Ltd	GPPE IN	83.45	66.2	71.5	4.2%	22.0x	10.1%	52.8	70.7%	0.9%
AP Oil International Ltd	APOIL SP	0.255	29.7	57.3	4.4%	10.6x	6.5%	46.7	Net Cash	2.1%
Average (lubricants)			**400.6**	**101.0**	**7.9%**	**34.8x**	**13.0%**	**53.0**		**1.0%**
Others										
Caltex Australia	CTX AU	32.96	6,386.5	13,342.5	3.4%	13.2x	21.9%	20.1	Net Cash	4.4%
Royal Dutch Shell	RDSA NA	24.39	225,895.1	233,591	1.9%	47.7x	3.9%	24.2	38.9%	7.1%
Average			**116,140.8**	**123,466.8**	**2.7%**	**30.5x**	**12.9%**	**22.2**		**5.8%**
United Global	**UTG SP**	**0.305**	**62.2**	**91.5**	**6.2%**	**13.6x**	**48.1%**	**38.8**	**Net Cash**	**3.2%**
Overall average (ex. UTG)			**58,270.7**	**61,783.9**	**5.3%**	**32.7x**	**13.0%**	**37.6**		**3.4%**

Source: Bloomberg, extracted on 31st May 2017

** LFY: Last Financial Year*

Dividend Policy

UTG does not have a fixed dividend policy, however, we believe their payout ratio of 36% of FY16 earnings could be an indication of the Board's intention moving forward.

Recommendation

We initiate coverage on UTG with a BUY with a DCF backed target price of S$0.37, translating into a conservative 10.1x FY17E P/E with an expected 3.4% dividend yield. UTG is currently in a net cash position with no significant capital expenditure requirements in the near- to mid-term.

In arriving at our target price, we applied an additional 1% liquidity discount to our cost of equity to derive an adjusted cost of equity of 7.47% and a terminal growth rate of 2%. Our target price of $0.37 represents a 21% upside to the last closing price.

DCF Assumptions	
Cost of Equity	6.47%
Liquidity discount	1.00%
Adjusted Cost of Equity	**7.47%**
Terminal growth rate	2.00%

Source: SAC Capital

Income Statement (US$'000)

	Fiscal Year Ended				
	FY2015	FY2016	FY2017F	FY2018F	FY2019F
Revenue	**99,860**	**91,542**	**94,181**	**96,673**	**102,487**
Cost of sales	(85,924)	(77,313)	(79,917)	(82,032)	(86,965)
Gross Profit	**13,936**	**14,229**	**15,069**	**15,468**	**16,398**
Other income	202	87	0	0	0
Distribution cost	(1,939)	(1,647)	(1,694)	(1,643)	(1,640)
Administrative expenses	(4,490)	(5,039)	(5,015)	(5,040)	(5,217)
Other operating expenses	(6)	(616)	0	0	0
Finance costs	(154)	(107)	(107)	(107)	(107)
Profit before tax	**7,549**	**6,907**	**8,253**	**8,677**	**9,434**
Income tax	(1,308)	(1,261)	(1,485)	(1,649)	(1,698)
Profit for the year/period	**6,241**	**5,646**	**6,767**	**7,028**	**7,736**
Profit attributable to owners of company	**6,241**	**5,646**	**6,429**	**6,677**	**7,349**

Cash Flow Statement (US$'000)

	Fiscal Year Ended				
	FY2015	FY2016	FY2017F	FY2018F	FY2019F
Profit before tax	**7,549**	**6,907**	**8,253**	**8,677**	**9,434**
Depreciation & amortisation	154	146	146	146	146
Change in working capital	9,685	706	(259)	(587)	(694)
Interest expense	(154)	(107)	(107)	(107)	(107)
Net Cash (used in)/ from operations	**16,607**	**6,557**	**6.232**	**6,915**	**7,295**
Purchase of PPE	(333)	(510)	(176)	(176)	(176)
Acquisition of subsidiary	0	0	(5,685)	0	0
Net Cash (used in)/ from investing	**1,167**	**(487)**	**(5,861)**	**(176)**	**(176)**
Net increase in equity	0	7,931	0	0	0
Net increase in debt	(1,674)	(185)	0	0	0
Dividends paid	(13,000)	(8,042)	(2,461)	(2,359)	(2,525)
Net Cash (used in)/ from financing	**(14,887)**	**(1,224)**	**(2,461)**	**(2,359)**	**(2,525)**

Balance Sheet (US$'000)

	Fiscal Year Ended				
	FY2015	FY2016	FY2017F	FY2018F	FY2019F
As at 31 Dec					
Cash and bank balances	9,209	14,275	10,139	14,520	19,114
Trade receivables	12,028	12,761	14,049	14,421	15,288
Inventories	3,302	4,452	3,880	3,983	4,222
Other assets	298	319	2,027	2,026	2,027
Total current assets	**24,837**	**31,807**	**30,095**	**34,950**	**40,651**
Property, Plant and Equipment	2,070	2,243	2,273	2,303	2,333
Investment in subsidiary	0	0	13,278	13,278	13,278
Other non-current assets	61	139	139	139	139
Total non-current assets	**2,131**	**2,382**	**15,690**	**15,720**	**15,750**
Total assets	**26,968**	**34,189**	**45,785**	**50,670**	**56,400**
Bank borrowings	3,171	2,986	2,986	2,986	2,986
Trade payables	4,910	7,575	6,453	6,624	7,022
Other current liabilities	13,439	5,661	6,818	6,862	6,984
Total current liabilities	**21,250**	**16,222**	**16,257**	**16,472**	**16,992**
Total non-current liabilities	78	130	130	130	130
Total liabilities	**21,328**	**16,352**	**18,069**	**20,110**	**20,882**
Share Capital	2,484	13,233	20,162	20,162	20,162
Retained earnings	3,156	7,760	11,728	16,046	20,871
Merger reserve	0	(3,156)	(3,156)	(3,156)	(3,156)
Equity attributable to shareholders	**5,640**	**17,837**	**28,734**	**33,052**	**37,877**
Non-controlling interests	0	0	664	1,015	1,402
Total Equity	**5,640**	**17,837**	**29,398**	**34,067**	**39,279**
Total liabilities and equity	**26,968**	**34,189**	**45,785**	**50,670**	**56,400**

Ratios

	Fiscal Year Ended				
	FY2015	FY2016	FY2017F	FY2018F	FY2019F
Profitability (%)					
Operating profit margin	7.7%	8.3%	8.9%	9.1%	9.3%
Profit before tax margin	7.6%	7.5%	8.8%	9.0%	9.2%
Profit after tax margin	6.2%	6.2%	7.2%	7.3%	7.5%
Liquidity (x)					
Current ratio	1.2	2.0	1.9	2.1	2.4
Quick ratio	1.0	1.7	1.6	1.8	2.1
Interest coverage ratio	50.1	71.3	78.1	82.1	89.2
Net Debt to Equity	Net cash	Net cash	Net cash	Net cash	Net cash
Valuation (x)					
P/E	N/A	13.6	10.1	10.3	9.4
Core P/E	N/A	8.9	10.1	10.3	9.4
Core P/E at target price	N/A	12.0	12.3	12.5	11.4
P/B	N/A	3.1	2.3	2.1	1.8
EV/EBITDA	N/A	5.8	6.0	5.1	4.0
Cash Conversion Cycle					
Trade receivable days	59.5	49.4	54.4	54.4	54.4
Inventory days	17.1	18.3	17.7	17.7	17.7
Trade payable days	26.5	29.5	29.5	29.5	29.5
CCC days	50.1	38.3	42.7	42.7	42.7
Returns					
Return on equity	49.9%	48.1%	27.6%	21.6%	20.7%
Return on capital employed	38.8%	38.1%	24.5%	19.7%	19.1%
Dividend payout ratio	N/A	36.0%	36.0%	36.0%	36.0%

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