OSK Investment Banking Wealth Management Trading

MALAYSIA EQUITY
Investment Research
Daily

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Trading Idea

Kelington Group

An Integrated Player With Lofty Aims

We like Kelington's future prospects in view of its aspirations to transform itself into a one-stop total facilities solution provider. The company's strong relationships with various reputable gas and chemical companies also appeal to us. We value Kelington at RM1.50/per share, based on a 5.7x FY13 EV/EBITDA. At the current share price, our FV offers a potential upside of 30%, making the stock a solid investment proposition. Its re-rating catalysts are: (i) winning sizeable jobs, (ii) better profit margins, and (iii) M&A initiatives.

NOT RATED

Fair Value	RM1.50
Price	RM1.15

MANUFACTURING

A leading provider of UHP gas & chemical delivery solutions in the region.

Stock Statistics

Bloomberg Ticker		KGRB MK
Share Capital (m)		79.7
Market Cap (RMm)		91.6
52 week H│L Price (RM)	1.16	0.77
3mth Avg Vol (000)		39.3
YTD Returns (%)		27.8
Beta (x)		0.44

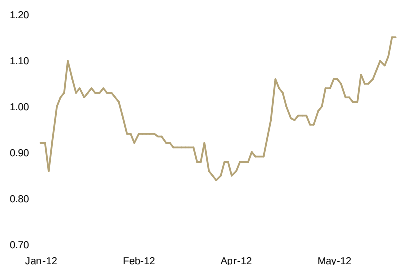
Major Shareholders (%)

Palace Star SB	48.3
LTAT	12.6
Sky Walker Group	12.2

Share Performance (%)

Month	Absolute	Relative
1m	19.6	11.4
3m	39.0	34.1
6m	39.0	19.7
12m	51.1	36.8

6-month Share Price Performance



Company at a glance. Kelington is a leading Ultra-High Purity (UHP) gas and chemical delivery solutions provider with a presence in Malaysia, China, Taiwan and Singapore. It has formed partnerships with various multinational specialty gas/chemical providers to implement mission-critical UHP delivery systems in high-technology industries. Its services are well sought after by companies in the wafer fabrication, flat panel display (FPD), solar energy, pharmaceutical, light emitting diode (LED) and storage media industries.

Serves growing high-tech industries. There is room for growth in the global solar photovoltaic (PV) electricity market despite deep cuts in incentives in countries like Germany and Italy. We believe that continuous education worldwide on renewable energy will enhance awareness and demand, especially in under-penetrated regions. In the global semiconductor market, clear signs of recovery are emerging after the 8.9-magnitude earthquake that struck Japan early last year. We believe the demand for smartphones and tablets would perk up growth in the sector going forward. We also expect the same catalyst to drive the expansion of the thin film transistor liquid crystal display (TFT-LCD) market.

A record of solid financials. We are impressed with Kelington's top-line growth over the past 4 years of a CAGR of 25%, fuelled mainly by its overseas operations. However, its core PAT only grew at a slower 4-year CAGR of 20%, owing to the increase in the number of low-margin overseas projects. That said, we draw comfort from the fact that Kelington has been in net cash for the past 6 years. The company's overall free cash flow per share from 2006-2011 has been within the 4 to 13 sen range, which enabled it to distribute dividends of 2 to 3.5 sen since going public in 2009. With its coffers and equity building up y-o-y, we are not ruling out the possibility of the company declaring a larger dividend payment or capital distribution in any form. Recently, Kelington announced a policy of paying out 25% of its PAT.

FYE Dec (RMm)	FY09	FY10	FY11	FY12f	FY13f
Revenue	63.8	84.5	139.6	161.3	180.4
Core Profit	9.4	8.6	8.6	9.8	10.8
% chg y-o-y	39.9	-8.0	-0.7	14.8	9.6
Consensus				10.7	12.7
Core EPS (sen)	11.8	10.8	10.7	12.3	13.5
DPS (sen)	3.0	3.0	4.0	4.5	5.0
Dividend yield (%)	2.6	2.6	3.5	3.9	4.3
ROE (%)	27.2	21.4	17.0	17.2	16.8
ROA (%)	16.5	12.4	8.7	8.9	8.9
PER (x)	9.8	10.6	10.7	9.3	8.5
BV/share (RM)	0.4	0.5	0.6	0.7	0.8
P/BV (x)	2.7	2.3	1.8	1.6	1.4
EV/EBITDA (x)	6.8	7.6	6.3	4.9	3.7

COMPANY BACKGROUND

Established in 2000, Kelington is a leading Ultra-High Purity (UHP) gas and chemical delivery solutions provider with regional footprints in Malaysia, China, Taiwan and Singapore. Throughout the years, Kelington has formed partnerships with multinational specialty gas/chemical providers to implement mission-critical UHP delivery systems in high-technology industries. Its services are well sought after by companies from the wafer fabrication, flat panel display (FPD), solar energy, pharmaceutical, light emitting diode (LED) and storage media industries. According to Frost & Sullivan, Kelington commands a share of about 23.3%/1.8%/1.4% of the markets in Malaysia/China/Taiwan respectively in terms of revenue.

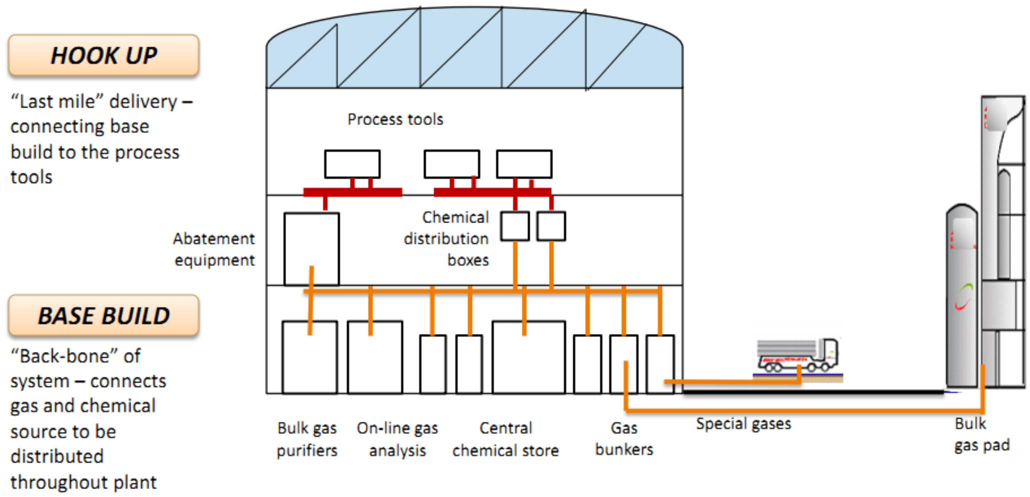
Kelington's services can be categorized in three segments:

i) Base build – "Backbone" of the UHP delivery system which connects gas and chemical sources which are to be distributed throughout a high-technology manufacturing plant.

ii) Hook-up and maintenance – "Last-mile" of the UHP delivery system which connects the base build to primary and process tools. The company also provides regular maintenance and technical support services.

iii) Others – Trading of materials and other ancillary testing, installation and commissioning works.

Figure 1: Illustration of services offered by Kelington



Source: Company

Table 1: Value chain of the UHP delivery system industry

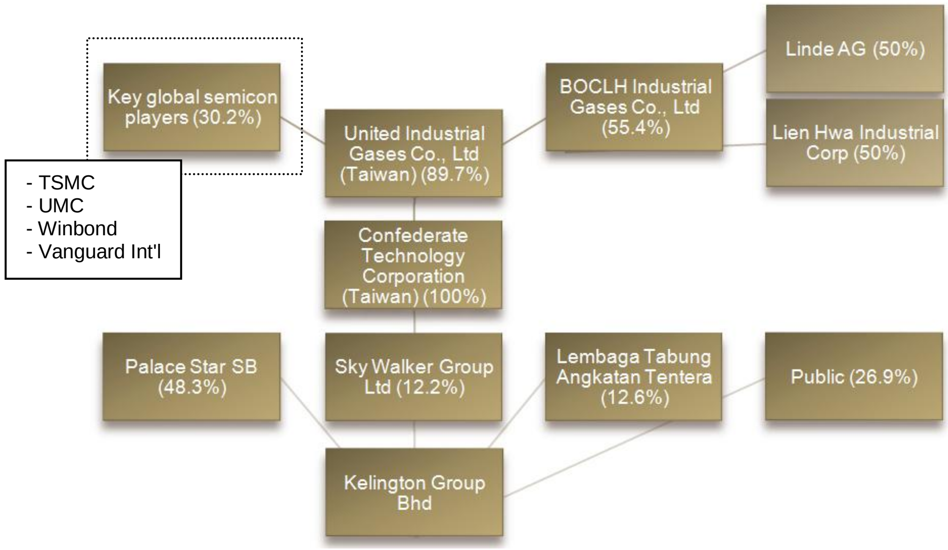
	Category	Malaysia	China	Taiwan	What they do?
C1	Multinational specialty gas/chemical providers through their gas/chemical system engineering divisions	- Air Products STB SB - MOX-Linde Gases SB	- Air Liquide - Air Products - BOC China (Holdings) Co Ltd - Linde Electronics & Specialty Gas - Messer Group - Praxair	- Air Liquide - Air Products - BOC Lienhwa - Super Clean Technology Co Ltd	Offer total UHP delivery system services, incl. supply of gas/chemicals
C2	UHP delivery system engineering companies	- **Kelington Group Bhd** - Kinetics Process Systems SB	- **Kelington Group Bhd** - Marketech International Corp - Wholetech System Hitech Ltd - Kinetics Process Systems Ltd	- **Kelington Group Bhd** - Marketech International Corp - Wholetech System Hitech Ltd	Offer total UHP delivery system services, excl. supply of gas/chemicals
C3	UHP delivery system installation companies	- 2 - 4 companies (companies that act as installers of UHP delivery systems)	- 50 - 60 companies (companies that act as installers of UHP delivery systems)	- 60 - 70 companies (companies that act as installers of UHP delivery systems)	Only offer subcontracting jobs for the installation of total UHP delivery system

Note: C1 companies outsource total UHP delivery system solutions to C2 companies, which allows the former to focus on their core competency, i.e. supply of gasses & chemicals. C2 companies should not be considered as 'installers' as they possess technical expertise in designing a UHP delivery system versus C3 companies.

Source: OSK, Frost & Sullivan

Backed by big boys. Mapping out the indirect shareholding in the company, we gather that key global semiconductor players as well as multinational specialty gas/chemical providers are essentially strategic investors of Kelington, with the Sky Walker Group holding a 12.2% equity interest (from Dec 2005 until now). This arose from a close working relationship between the two companies since 2003. As such, the outsourcing of total UHP delivery system to Kelington has become second nature. We view its shareholding structure as an avenue for Kelington to secure revenue because rationally, priority is accorded to companies within the same group.

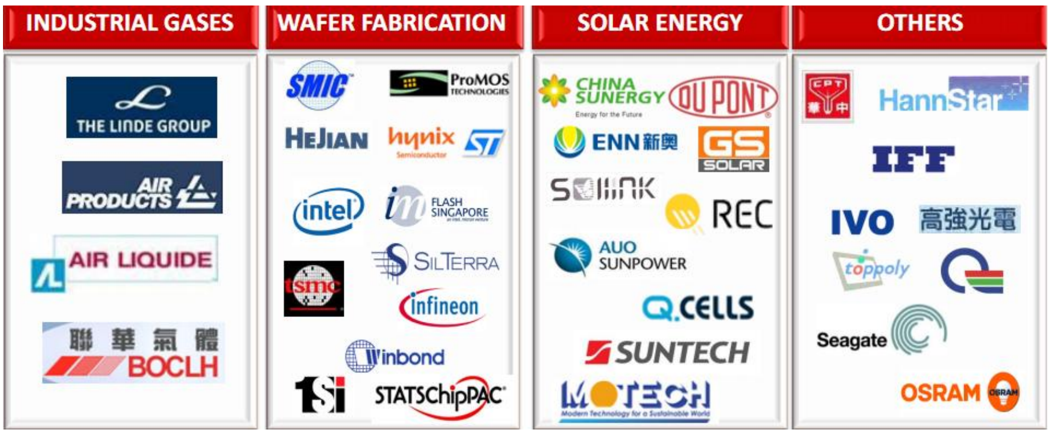
Figure 2: Kelington's shareholding structure



Source: OSK, Company

Competent management. Mr Gan Hung Keng, CEO, and Mr Ong Weng Leong, COO, are the two key personnel driving Kelington's business forward. Mr Gan and Mr Ong – who were previously with MOX - each have 15-20 years of experience in the field. Their expertise and technical know-how in UHP systems design have enabled the company to rope in a host of prospective customers. We understand that customers are willing to pay a premium for the installation of reliable UHP systems at their facilities because they often deal with hazardous gases/chemicals. Note that Mr Gan and Mr Ong each has a 13% effective controlling stake in Kelington via their respective 27% shareholdings in Palace Star SB.

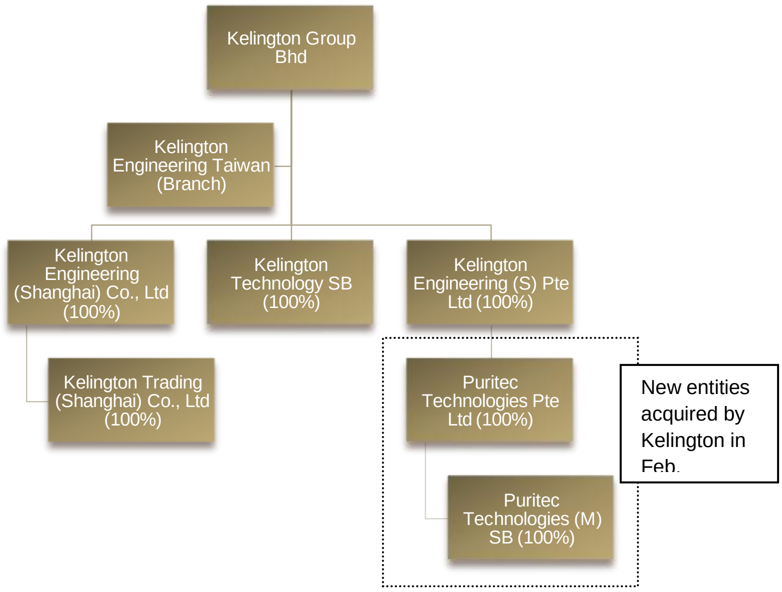
Figure 3: Kelington's key customers



Source: Company

An expanding business. In February, Kelington acquired Singapore-based Puritech Technologies Pte Ltd for SGD2.1m to expand into exhaust delivery systems. We understand Puritec was only set up in May 2011 and it is still in the gestation period. However, this phase is expected to be short-lived given that the company is run by a group of veterans formerly with Envipure, which is Kelington's competitor. Kelington revealed that Envipure generates average revenue of SGD60-70m annually, with a market share of 70%. Assuming that Puritech succeeds in capturing a 10% market share from Envipure, the former will generate a top-line of SGD5-10m. Management has indicated its intention of tapping into the delivery systems of other utilities, i.e. the water and vacuum segments in the near term, which could transform the company into a one-stop total facilities solution provider.

Figure 4: Kelington's corporate structure



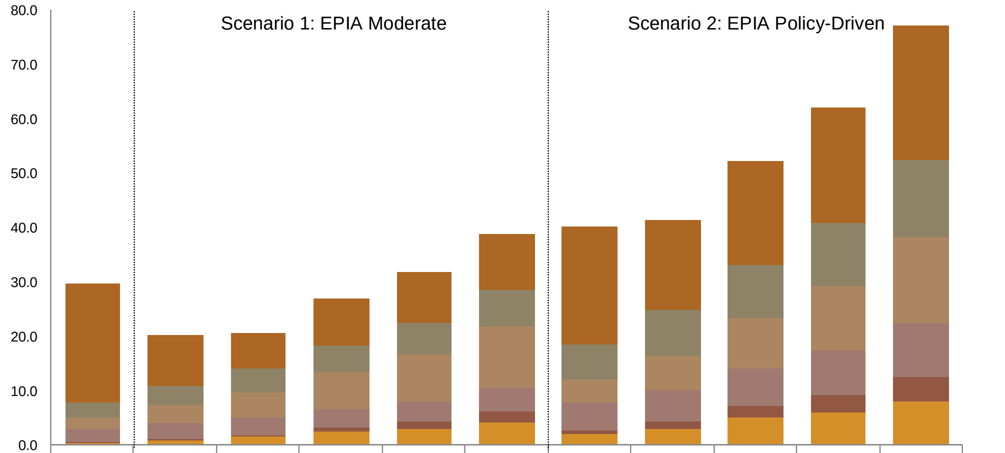
Source: OSK, Company

BUSINESS OUTLOOK

Not all doom and gloom for PV market. There is room for the global solar photovoltaic (PV) electricity market to grow despite deep cuts in incentives in countries like Germany and Italy, both of which have a combined global market share (in terms of PV installations) of approximately 57%. We believe that continuous education on worldwide renewable energy will enhance awareness and demand, especially in under-penetrated regions. According to the European Photovoltaic Industry Association (EPIA), the PV market will grow in a more sustainable manner riding on the competitiveness of PV solutions rather than by financial support schemes. Recently, Japan turned to solar PV electricity as a long-term energy solution after the nuclear meltdown last year, and will implement next month a feed-in-tariff (FiT) with a generous payout of JPY42 per kWh to stimulate the country's solar energy investment. The local government hopes to add 3.2 gigawatts (GW) of solar energy to its domestic electricity grid, replacing the power generated by the nuclear industry (which supplies 21% of Japan's energy needs). Should demand outpace supply in the future, we expect Kelington to be involved in the setting up of new solar PV plants in China – currently the world's leading PV module producer - to meet global shortages.

Worst is over for global semiconductor market. The global semiconductor market is finally showing signs of recovery in the wake of last year's 8.9-magnitude earthquake that struck Japan. According to the Semiconductor Industry Association (SIA), worldwide sales ticked up by a mere 0.4% y-o-y to a record USD299.5bn in 2011. Based on its most recent report, worldwide semiconductor sales improved by 3.4% m-o-m in the month of April to USD24.1bn, representing the second consecutive month of growth and also the fastest growth rate in 2 years on a m-o-m basis. We are encouraged by the positive figures and expect growth for the rest of the year, mainly fuelled by smartphones and tablets, while the demand for other products will remain muted due to global economic uncertainties. Meanwhile, the book-to-bill ratio for semiconductor equipment manufacturers remained above equilibrium for the fourth consecutive month in May, as reported by the Semiconductor Equipment and Materials International (SEMI). The overall full-year growth for 2012 should be flat, given the fact that for the first four months, global sales had already contracted by 6.7%. Going forward, World Semiconductor Trade Statistics (WSTS) forecasts the worldwide semiconductor market to grow at 7.2% to USD322bn in 2013, followed by a 4.4% growth to USD336bn in 2014.

Figure 5: Global photovoltaic installations (GW)



	FY11	FY12f	FY13f	FY14f	FY15f	FY16f	FY12f	FY13f	FY14f	FY15f	FY16f
Europe	21.9	9.4	6.5	8.5	9.4	10.3	21.6	16.6	19.0	21.2	24.8
APAC	2.7	3.4	4.3	5.0	5.9	6.8	6.5	8.3	9.8	11.8	14.2
America	2.2	3.3	4.7	6.7	8.7	11.2	4.4	6.3	9.2	11.9	15.7
China	2.2	3.0	3.3	3.5	3.8	4.5	5.0	6.0	7.0	8.0	10.0
MEA	0.1	0.2	0.4	0.7	1.3	2.1	0.7	1.3	2.2	3.3	4.5
ROW	0.5	1.0	1.5	2.5	3.0	4.0	2.0	3.0	5.0	6.0	8.0

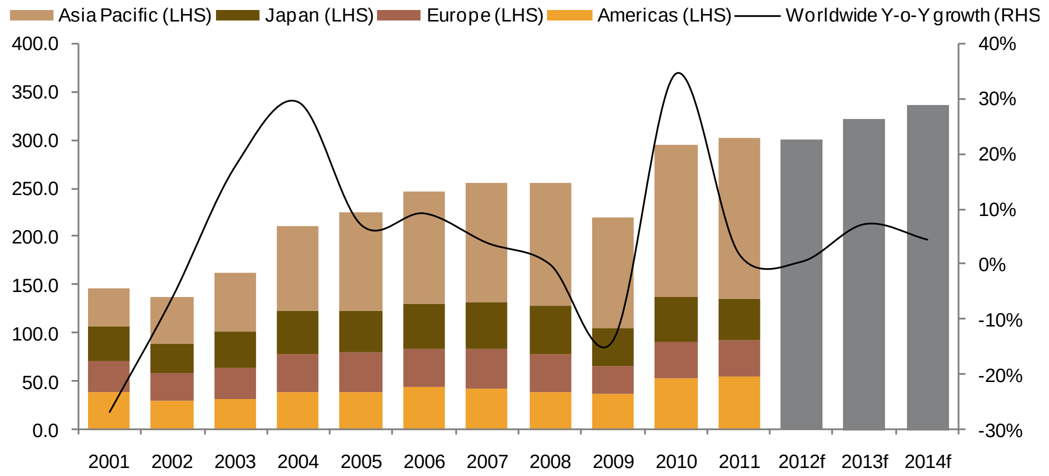
Notes:

(i) *Moderate scenario assumes rather pessimistic market behaviour with no major reinforcement of existing support mechanisms, or strong decrease/limitation of existing schemes. In countries close to transition, customers are not reacting well to a PV market without FiTs.*

(ii) *Policy-driven scenario assumes the continuation or introduction of adequate support mechanisms, accompanied by a strong political will to consider PV as a major power source in the coming years. This also requires removing unnecessary administrative barriers and streamlining grid connection procedures. In some extreme cases, this scenario assumes market booms caused by inadequate support mechanisms as observed at the time of publication.*

Source: EPIA

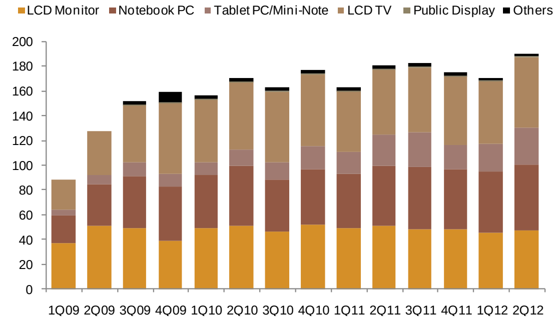
Figure 6: Yearly worldwide semiconductor sales (USDbn)



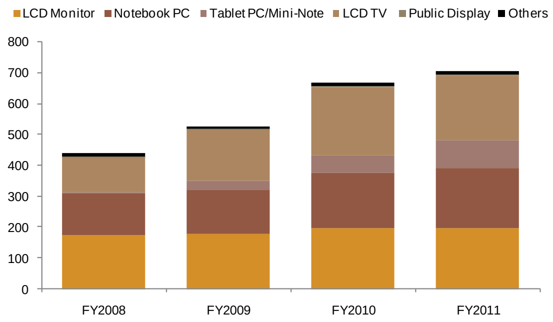
Source: OSK, SIA, WSTS

Smartphones, tablets propel TFT-LCD growth. Similar to the semiconductor space, we expect growth of the thin film transistor liquid crystal display (TFT-LCD) market to be driven by smartphones and tablets i.e. small screen devices (+66% y-o-y in 2011) as well. We also noticed that big-screen devices, namely LCD TVs and PC monitors, have reached their product lifecycles' respective maturity stages and have experienced y-o-y volume contractions of 5% and 1% respectively. This could be explained by the shift in consumer demand from big-screen devices to small-screen devices. Although notebooks are considered big-screen products, they continued to expand robustly in 2011 (+8% y-o-y), thanks to product innovation. Moving forward, we reckon that ultrabooks and 3D LCD TVs will be key products spurring the growth of their respective segments, thanks to the increase in promotions to boost end-user awareness and interest. The gradual decline in prices should also boost the demand for such products.

Figure 7: Quarterly (left) and yearly (right) large-area TFT-LCD shipments (m)



Source : OSK, Display Search

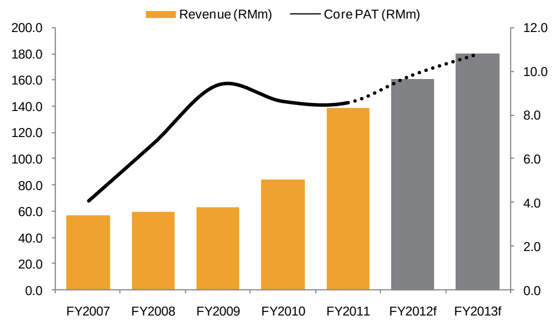


Source : OSK, Display Search

FINANCIAL HIGHLIGHTS

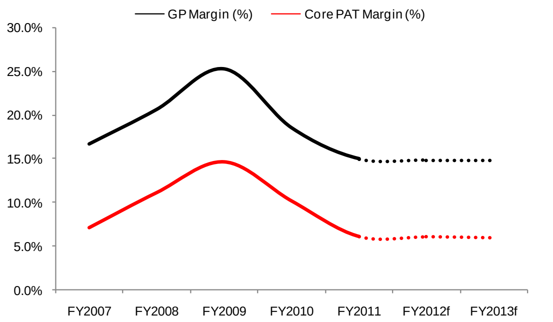
Revenue to grow with stabilizing margins. We were impressed with Kelington's top-line growth over the past 4 years with a CAGR of 25%, thanks mainly to its overseas operations. Although management has successfully enlarged its market share, this took place at the expense of its bottom-line. Core PAT only grew at a 4-year CAGR of 20%, which is slower than that for revenue, given the increase in the number of low-margin overseas projects. However, we expect the gross profit (GP) and core PAT margins to normalize from FY12 onwards, since it does not make sense for Kelington to continue being aggressive in capturing market share, especially with its core PAT margin being very thin at 6%.

Figure 8: Yearly revenue & core PAT



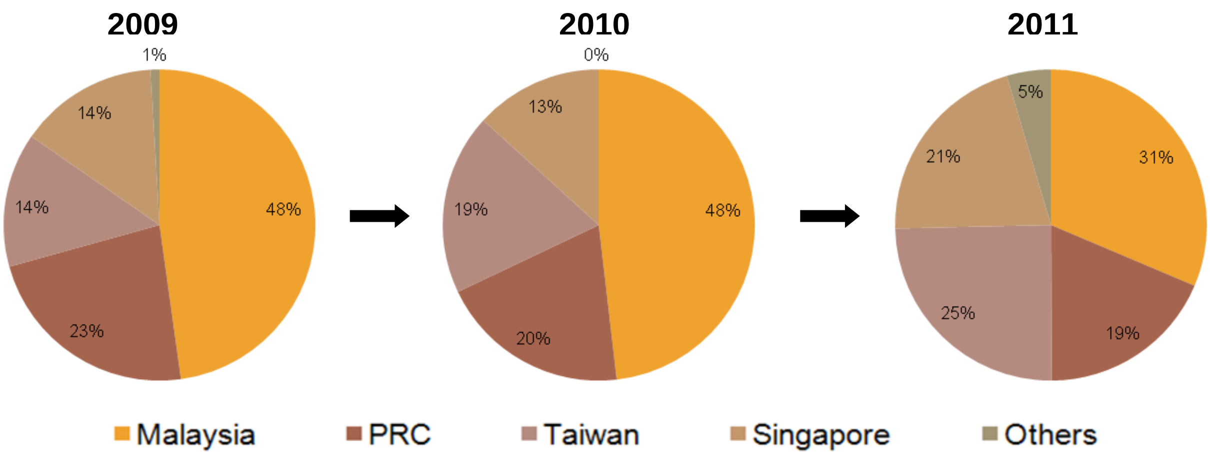
Source : OSK

Figure 9: Yearly GP & core PAT margin



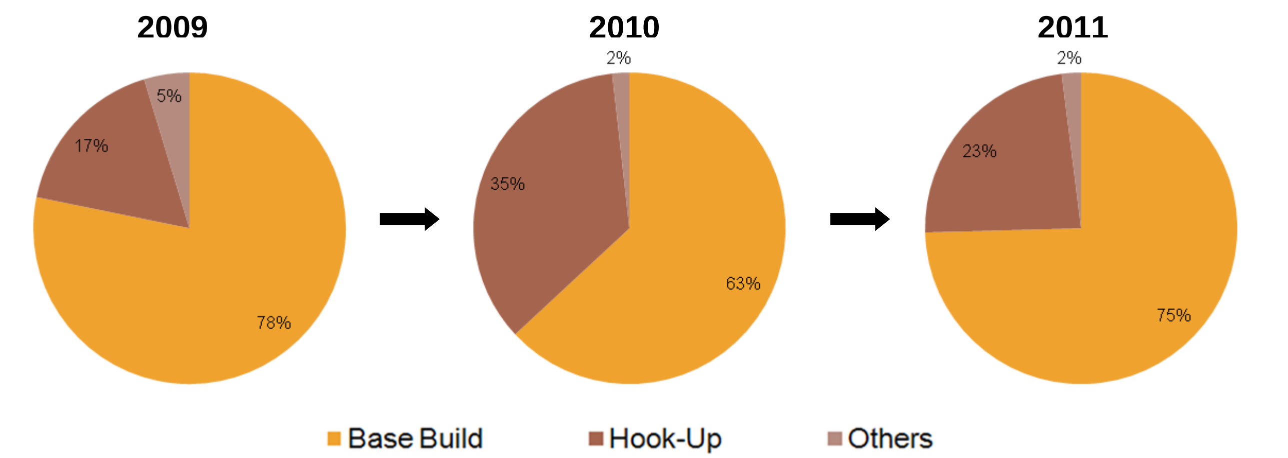
Source : OSK

Figure 10: Revenue breakdown by geographical location



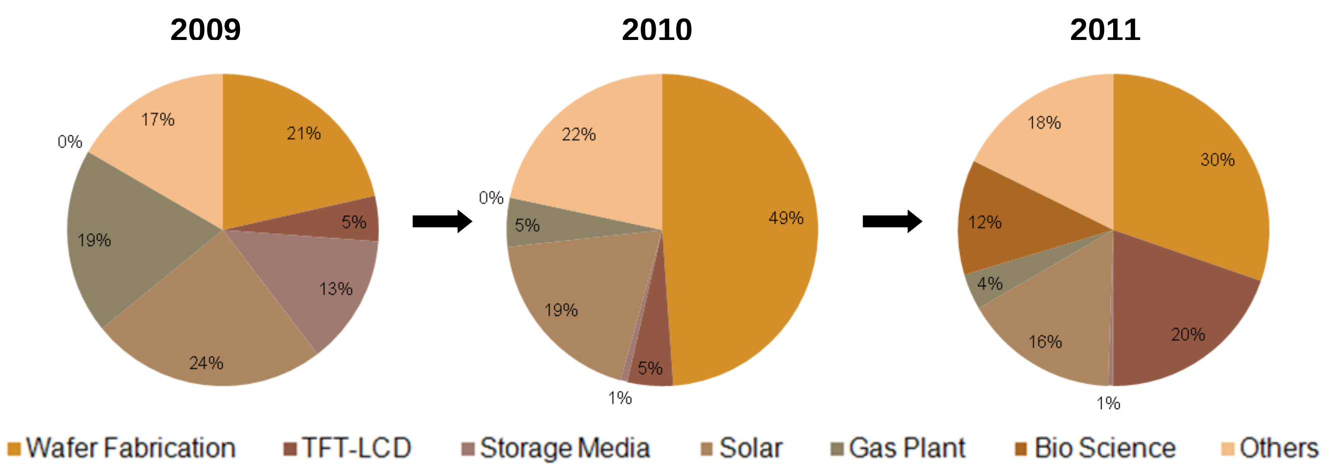
Source: OSK

Figure 11: Revenue breakdown by services



Source: OSK

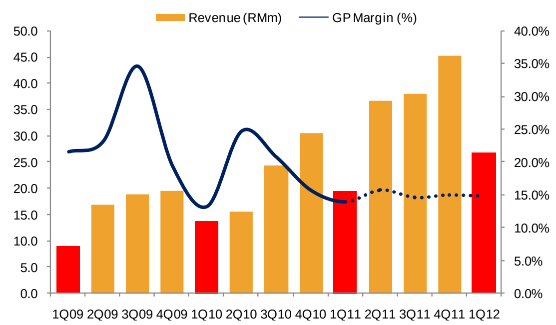
Figure 12: Revenue breakdown by markets



Source: OSK

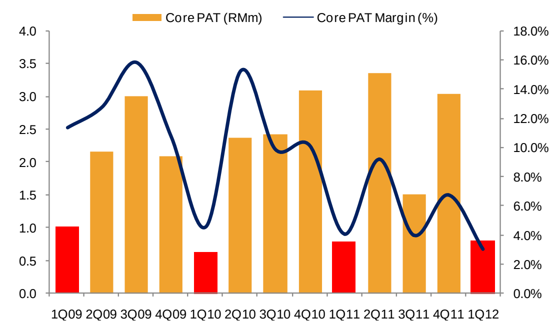
1Q results acceptable. Kelington reported 1QFY12 revenue of RM26.7m (-41% q-o-q, +38% y-o-y) and core PAT of RM0.8m (-74% q-o-q, +2% y-o-y). At first glance, q-o-q numbers appear to be disappointing but in fact seasonality factors were behind the poor financial performance. Looking at historical trends, 1Q tends to be the weakest quarter, typically representing only 15%-20% of total revenue and core PAT for a particular year. On the positive side, its financial performance improved y-o-y while its q-o-q GP margin remained at 15%. Nevertheless, its core PAT margin fell 370 bps q-o-q to 3%, but we expect this to improve over the next 3 quarters, in line with the historical trend.

Figure 13: Quarterly revenue & GP margin



Source : OSK

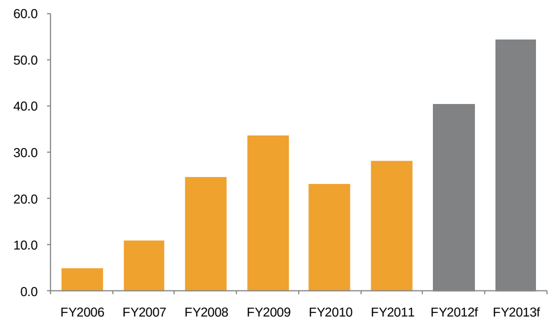
Figure 14: Quarterly core PAT with its margin



Source : OSK

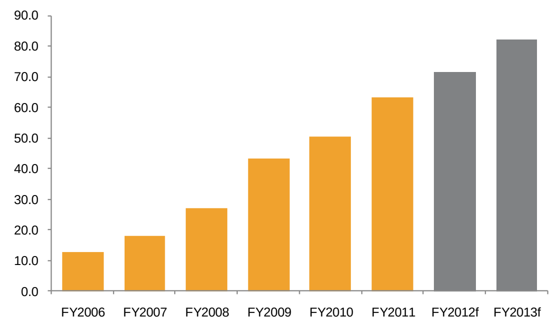
Solid balance sheet. We also draw comfort from the fact that Kelington has been in a net cash position for the past 6 years since 2006. Cash flow from operating activities during the period was robust, consistently being in the black with the exception of 2010, during which its working capital experienced a decline due to an increase in credit sales for that year. The company's overall free cash flow per share from 2006-2011 has remained strong within the 4–13 sen range, enabling it to distribute dividends of 2–3.5 sen since going public in 2009. With its coffers and equity increasing on a y-o-y basis, we are not ruling out the possibility of a larger dividend payment or capital distribution in any form. Recently, Kelington has announced a dividend payout policy of 25% from its PAT.

Figure 15: Net cash / share (sen)



Source : OSK

Figure 16: Book value / share (sen)



Source : OSK

INVESTMENT MERITS & RISKS

Investment merits

Transforming into a one-stop total facilities solution provider. As explained in page 4, Kelington now has exposure to the exhaust segment with the recent acquisition of Puritech. Going forward, management intends to venture into the water and vacuum segments to diversify its revenue and income streams.

Competitive advantage over its peers. Thanks to its sound safety track record, Kelington managed to gain the confidence of gas and chemical manufacturers as well as companies operating in various industry sectors. As highlighted in page 3, the strong relationships it has with reputable gas and chemical manufacturers also bode well for Kelington, allowing it to enter into partnerships needed for certain projects.

Table 2: Significant milestones for Kelington

Year	Significant milestones	Services	Industry	Country
2000	Maiden key project for SilTerra Malaysia's foundry at Kulim	Gas	Wafer	M'sia
2003	First project in Taiwan for HannStar Display, Taiwan	Gas	TFT-LCD	Taiwan
2004	First major project in China for Taiwan Semiconductor Manufacturing Corp, China	Gas	Wafer	China
2007	First solar cell project for Suntech Power Holdings, China	Gas	Solar	China
2008	First renewable energy project for Renewable Energy Corp, S'pore	Chemical	Renewable Energy	S'pore
2009	Turnkey Bulk Chemical Delivery System for Seagate Skudai, M'sia	Chemical	Storage (HDD)	M'sia
2010	Hook-up project with Semiconductor Manufacturing International Corporation (SMIC) - largest wafer fabrication foundry in Mainland China	Gas	Wafer	China
2011	Process mechanical system installation project for Vietnam Glass, Vietnam	Process Mechanical	Glass	Vietnam
2011	First major project for bioscience industry with International Flavors & Fragrances, S'pore	Chemical	Bioscience	S'pore
2012	Acquired S'pore-based Puritec Technologies (S) Pte Ltd	Exhaust	-	S'pore

Source: Company

Risks

Lack of long-term contracts. We understand that as of 31 May, Kelington has an outstanding orderbook of RM48m, which could last them for only about 6-9 months. Thus, the short timeframe for its orderbook replenishment is a key risk for the company. Nonetheless, management has identified some RM400m worth of projects for FY12. Based on its historical success rate of 25%, Kelington is poised to replenish its orderbook by RM100m.

Fluctuation in forex and raw material prices. We gather that the cost of steel piping and fittings accounts for approximately 25% of a typical project cost. Given that the steel industry is highly cyclical, any adverse movement in steel prices could be detrimental to Kelington's bottom-line. Even though additional costs could be passed on to its customer, this would come at the expense of competitiveness. Also, with Kelington deriving 69% of its revenue from foreign markets in 2011, it has high exposure to forex risks.

Table 3: Extended SWOT Analysis

	Strengths	Weaknesses
	• Strong engineering expertise • Ability to undertake turnkey projects • Established relationship with key manufacturers • Solid track record across industry sectors	• Extended reliability on few key personnel
Opportunities • Government initiatives to stimulate tech industry • Tech innovation leading to business expansion	• With all the stipulated strengths above, Kelington's success rate of bidding for new projects is high.	• Delegation of power to management of newly acquired companies and tap into areas of growth.
Threats • Cyclical tech industry experiencing a downturn • Obsolescence of technology leading to stagnation • Increased competition	• To face its threats, Kelington insulated itself by diversifying its target markets and leverage on its core strengths to grow.	• Target potential mergers & acquisitions to expand range of services and client base. • Transforming itself into a one-stop total facilities

Source: OSK

VALUATION & RECOMMENDATION

FY12 and FY13 financial forecasts. Assuming Kelington manages to increase its current outstanding orderbook to RM148m, we expect the company's FY12 revenue to grow by 15.5% y-o-y. Given that its GP margin has stabilized at 14%-15% over the past 5 quarters, we foresee a similar GP margin going forward. However, its core PAT margin has been rather volatile, thereby making it difficult to forecast future trends. Even so, we do not expect its bottom-line margin to erode, probably staying at the 5%-6% level and its FY12 core PAT is anticipated to grow by 14.8% y-o-y. For the subsequent year, we expect FY13 revenue and core PAT to expand by 11.8% and 9.6% respectively.

Kelington's stock undervalued with 30% upside potential. Based on 5.7x FY13 EV/EBITDA, we arrive at a FV of RM1.50 for Kelington. This multiple is obtained by ascribing a 30% discount to the simple 3-year historical EV/EBITDA sector average of 8.1x. The 30% discount factors in the illiquidity of the stock as well as an unexciting tech sector in Malaysia. At the current share price, our FV offers a potential upside of 30% and hence, makes for a solid investment proposition. All in all, we like Kelington's future prospects in light of its aspirations to become a one-stop total facilities solutions provider.

Table 4: Historical sector valuation comparables

Company	Bloomberg Ticker	Currenc	Mkt Cap (USDm)	P/E (x) FY09	P/E (x) FY10	P/E (x) FY11	EV/EBITDA (x) FY09	EV/EBITDA (x) FY10	EV/EBITDA (x) FY11	P/BV (x) FY09	P/BV (x) FY10	P/BV (x) FY11
Malaysia												
Kelington	KGRB MK	MYR	26.59	6.2	7.0	7.1	2.4	4.3	3.6	1.5	1.5	1.2
Taiwan												
Marketech	6196 TT	TWD	104.31	nm	18.5	8.9	nm	10.6	10.9	0.5	0.7	0.8
Wholetech	3402 TT	TWD	33.90	17.2	7.7	22.0	6.4	8.0	10.3	0.8	1.2	1.2
Korea												
Hanyang	045100 KS	KRW	103.82	nm	10.3	8.4	nm	9.5	4.4	1.8	1.6	1.1
Historical simple 1-year Avg (ex-Kelington)				**17.2**	**12.2**	**13.1**	**6.4**	**9.4**	**8.5**	**1.0**	**1.2**	**1.0**
Historical simple 3-year Avg (ex-Kelington)						**14.2**			**8.1**			**1.1**

Source: OSK

FYE Dec (RMm)	FY09	FY10	FY11	FY12f	FY13f
Income Statement					
Operating revenue	63.8	84.5	139.6	161.3	180.4
Operating expense	-54.3	-74.9	-128.5	-149.0	-166.9
EBITDA	**9.6**	**9.6**	**11.1**	**12.2**	**13.4**
Deprec. & Amor.	-0.8	-0.9	-1.2	-1.2	-1.4
EBIT	**8.7**	**8.7**	**9.9**	**11.0**	**12.1**
Finance expenses	-0.1	-0.1	-0.1	-0.1	-0.1
Profit b4 Associates	**8.6**	**8.6**	**9.8**	**10.9**	**12.0**
Associates	0.0	0.0	0.0	0.0	0.0
PBT	**8.6**	**8.6**	**9.8**	**10.9**	**12.0**
Taxation	-0.6	-0.1	-1.0	-1.1	-1.2
PAT	**8.1**	**8.5**	**8.7**	**9.8**	**10.8**
MI	0.0	0.0	0.0	0.0	0.0
PATAMI	**8.1**	**8.5**	**8.7**	**9.8**	**10.8**
Core PATAMI	**9.4**	**8.6**	**8.6**	**9.8**	**10.8**
Balance Sheet					
Cash & cash equivalents	28.1	22.1	25.2	34.8	44.6
Trade account receivable	12.1	24.8	36.8	41.9	46.9
Inventories	1.4	1.0	0.3	0.8	0.9
Other CA	8.5	13.5	28.4	23.5	19.5
Total CA	**50.1**	**61.5**	**90.7**	**101.0**	**111.9**
PPE	6.1	7.4	7.7	8.5	9.1
Intangible assets	0.4	0.4	0.5	0.5	0.5
Other NCA	0.0	0.0	0.0	0.0	0.0
Total NCA	**6.5**	**7.8**	**8.2**	**9.0**	**9.6**
Total Assets	**56.7**	**69.2**	**98.9**	**109.9**	**121.5**
Equity	34.4	40.2	50.4	57.1	64.3
Minority Interest	0.0	0.0	0.0	0.0	0.0
Total Equity	**34.4**	**40.2**	**50.4**	**57.1**	**64.3**
Trade accounts payable	12.7	18.7	34.2	38.4	43.0
ST borrowings	0.2	2.3	1.6	1.5	1.4
Other CL	7.9	6.6	11.0	11.3	11.3
Total CL	**20.8**	**27.6**	**46.8**	**51.3**	**55.7**
LT borrowings	1.2	1.2	1.2	1.1	1.0
Other NCL	0.4	0.2	0.5	0.5	0.5
Total NCL	**1.5**	**1.4**	**1.7**	**1.6**	**1.5**
Total Liabilities	**22.3**	**29.0**	**48.5**	**52.9**	**57.2**
Equity + Total Liabilities	**56.7**	**69.2**	**98.9**	**109.9**	**121.5**
Cash Flow					
Profit before taxation	**8.6**	**8.6**	**9.8**	**10.9**	**12.0**
Deprec. & Amor.	0.8	0.9	1.2	1.2	1.4
Other OA items	-0.2	-0.1	0.2	-0.2	-0.3
Changes (working capital)	-5.0	-11.6	-7.4	3.9	3.4
Income tax paid	-0.4	-1.4	0.2	-1.1	-1.2
CF operating activities	**3.9**	**-3.6**	**4.0**	**14.7**	**15.3**
Purchase of PPE	-1.3	-1.9	-1.3	-2.0	-2.0
Changes (investment)	0.0	0.0	0.0	0.0	0.0
Other IA items	-0.1	0.3	0.4	0.3	0.4
CF investing activities	**-1.4**	**-1.6**	**-0.9**	**-1.7**	**-1.6**
Issue of ordinary shares	5.1	0.0	2.9	0.0	0.0
Loans and borrowings	0.0	2.1	1.3	0.0	0.0
Loan repayment	-0.1	-0.2	-2.4	-0.2	-0.2
Dividend paid	0.0	-2.2	-2.4	-3.2	-3.6
Other FA items	-0.1	-0.1	-0.1	-0.1	-0.1
CF financing activities	**4.9**	**-0.4**	**-0.8**	**-3.5**	**-3.9**
Changes (cash items)	7.5	-5.5	2.4	9.5	9.8
Beg. Cash	**20.7**	**28.1**	**22.1**	**25.2**	**34.8**
Other cash items	0.0	-0.5	0.7	0.0	0.0
End. Cash	**28.1**	**22.1**	**25.2**	**34.8**	**44.6**
EV	**64.8**	**73.0**	**69.1**	**59.4**	**49.4**
FCFF	**2.6**	**-5.5**	**2.8**	**12.7**	**13.3**
FCFE	**2.5**	**-3.5**	**1.6**	**12.5**	**13.1**

FYE Dec (RMm)	FY09	FY10	FY11	FY12f	FY13f
Margins					
EBITDA (%)	15.0	11.4	7.9	7.6	7.5
EBIT (%)	13.7	10.3	7.1	6.8	6.7
PBT (%)	13.5	10.2	7.0	6.8	6.6
PAT (%)	12.6	10.1	6.3	6.1	6.0
PATAMI (%)	12.6	10.1	6.3	6.1	6.0
Core PATAMI (%)	14.7	10.2	6.1	6.1	6.0
Per Share Analysis					
Outstanding shares (m)	79.7	79.7	79.7	79.7	79.7
Revenue/share (sen)	80.1	106.1	175.2	202.5	226.4
EBITDA/share (sen)	12.0	12.1	13.9	15.3	16.9
EPS (sen)	10.1	10.7	11.0	12.3	13.5
Core EPS (sen)	11.8	10.8	10.7	12.3	13.5
Dividend/share (sen)	3.0	3.0	4.0	4.5	5.0
BV/share (sen)	43.2	50.5	63.3	71.6	80.7
NTA/share (sen)	42.7	50.0	62.7	71.0	80.1
Oper. CF/share (sen)	5.0	-4.5	5.0	18.4	19.2
Free CF/share (sen)	3.4	-6.9	3.7	15.9	16.7
Valuation Ratios					
Price/Revenue (x)	1.4	1.1	0.7	0.6	0.5
Price/EBITDA (x)	9.6	9.5	8.3	7.5	6.8
Price/Earnings (x)	11.3	10.7	10.5	9.3	8.5
Price/Core earnings (x)	9.8	10.6	10.7	9.3	8.5
Dividend yield (%)	2.6	2.6	3.5	3.9	4.3
Price/BV (x)	2.7	2.3	1.8	1.6	1.4
Price/NTA (x)	2.7	2.3	1.8	1.6	1.4
Price/Operating CF (x)	23.2	-25.7	22.8	6.2	6.0
Price/FCF (x)	33.6	-16.8	31.1	7.2	6.9
EV/EBITDA (x)	6.8	7.6	6.3	4.9	3.7
Financial Ratios					
Current ratio (x)	2.4	2.2	1.9	2.0	2.0
Quick ratio (x)	1.4	0.8	0.5	0.7	0.8
Times interest earned (x)	91.5	84.7	89.0	106.7	126.5
Net cash/share (sen)	33.7	23.4	28.2	40.4	52.9
Debt-to-Equity ratio (x)	0.0	0.1	0.1	0.0	0.0
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
Net income/Sales (%)	14.7	10.2	6.1	6.1	6.0
Sales/Total assets (%)	112.6	122.0	141.2	146.7	148.5
Total assets/Equity (%)	164.7	172.1	196.2	192.7	189.0
ROE (%)	27.2	21.4	17.0	17.2	16.8
ROA (%)	16.5	12.4	8.7	8.9	8.9

OSK Research Guide to Investment Ratings

Buy: Share price may exceed 10% over the next 12 months

Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

Neutral: Share price may fall within the range of +/- 10% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels

Sell: Share price may fall by more than 10% over the next 12 months

Not Rated (NR): Stock is not within regular research coverage

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