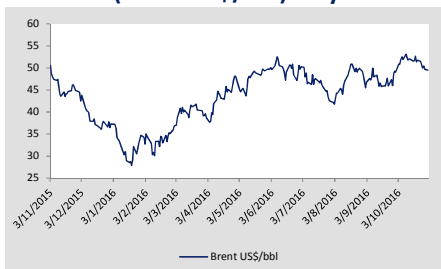


## Offshore & Marine

(EZI SP; EZHL.SI)

### Oil Prices (Brent US\$/bbl) - 1 year



Source: Bloomberg, KGI Securities

#### Key Takeaways:

- ◆ Upgrade Keppel Corp to BUY based on SOTP (0.8x P/B for property segment, 1.5x P/B for O&M). Maintain Triyards at BUY based on 0.5x P/B.
- ◆ Maintain Sembcorp Marine at HOLD based on 1.4x adjusted P/B.
- ◆ Oil price at US\$60 by end 2017 on improving supply/demand dynamics. Oil prices at these levels sufficient enough for O&G companies to increase capex for upstream activities, in our view.
- ◆ We expect earnings to be weak in 2017 but have a more positive view on industry upside rerating catalyst from higher oil prices
- ◆ Risk/reward is ratio now more favorable as companies trade at trough valuations, oil prices off from the bottom and change in OPEC's stance towards production cut.

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### Yards - Trough valuations with limited downside

With Singapore listed rig builders trading at 10-15 year valuation lows, and with oil prices beginning to recover, we believe downside is limited for the yards. We expect oil prices to stabilize around the US\$50-60 but see a one year delay for the benefits to flow through to the rig builders. Hence, we can still expect weak new orders in FY17 but may see a pickup in FY18 as market forces gradually remove excess vessels/rigs and as capex recovers.

**Top picks among the rig builders.** We would accumulate shares of companies that are trading at trough valuations and have healthy balance sheet, notably Triyards Holding (BUY TP \$0.43) among the small-mid cap yards. For the blue chips, we upgrade Keppel Corp (BUY TP \$5.93) to BUY based on its diversified business profile, healthy balance sheet and upside catalyst from asset divestments.

**OPEC blinks first.** After holding out for two years, OPEC has finally abandoned its free market policy. OPEC agreed on September 28 to cut production to between 32.5 mb/d and 33 mb/d but the details, including country allocations and implementation schedule, are to be finalized when OPEC meets on November 30. Although still early, we are positive on the impact on oil markets going into 2017. Oil prices have managed to stay >US\$50/bbl since the deal was announced. Even without the OPEC deal, both the IEA and the EIA expect oil markets to return to balance by 2H17.

**Overcapacity in offshore O&G to persist into 2017.** Based on the utilization rates in the offshore O&G, 2017 is set to be another year of overcapacity. Utilization rates for offshore rig have currently dropped to 50% from 90-100% in 2013. Although the pace of retiring old rigs have increased, it is still not fast enough to balance out the markets. Hence, we may expect 2017 to still be a weak year for rig markets and consequently, for the rig builders Keppel Corp and Sembcorp Marine.

**Capex cuts are unsustainable, leading to oil supply problems beyond 2017.** The O&G industry has been cutting capex for two years consecutively. The last time the industry had this many cuts was in the 1980s. Current E&P capex is expected to decline 10-15% in 2016 after declining 23% in 2015, according to data by Bloomberg Intelligence. However, 41% of the global drop in capex may be attributed to cuts in the US. Global E&P spending of <US\$500bn are unsustainable as it may not be sufficient to replace existing production and accommodate for future growth in demand. The impact is already evident. Almost 0.9 mb/d of supply, mainly from high-cost non-OPEC producers, have been removed since last year. The losses however have been offset by 1.1 mb/d gains from the low cost Middle Eastern OPEC countries, according to data by IEA.

**Upside catalysts and key risks.** Upside catalysts include a sustained oil price above US\$60 in 2017 and supply disruptions that may easily tilt the oil markets into deficit. Key risks comes from resilience among the high costs producers (e.g., US Shale) that may limit the recovery in oil prices, in which case we may expect a "lower for longer" oil price environment.

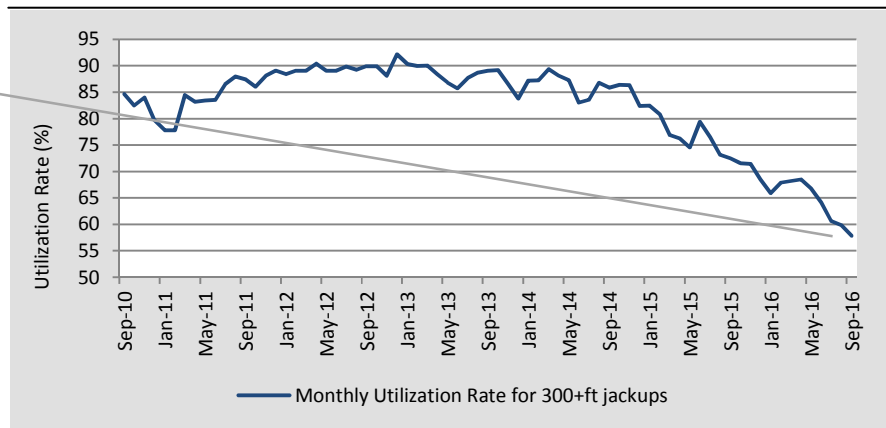
**State of the O&G offshore market.** Keppel and Sembcorp Marine are the largest builders of jackups in the world and a major player in the construction of semisubmersible rigs. The oversupply in this space is expected to persist going into 2017 but we expect markets to improve in 2018 as rig owners remove older rigs and as demand begins to pick up. Nevertheless, both companies have already started to diversify beyond simply building jackup rigs given the increasing competition from Chinese yards.

**Looking for work in a tough market.** There were a total of 513 jackups and only 297 jackups that were contracted in September 2016, meaning a utilization rate of 58%, according to data by Riglogix. That's 216 jackups sitting idle and looking for work. In Southeast Asia, a major destination for jackups, there are around 66 jackups with only 25 currently working. The pain is further exacerbated for rig owners because they incur costs (~US1000-5000/day) to maintain the rigs as they sit idle.

**Out with the old and in with the new** During the peak for jackups in 2014, demand reached a high of around 460 units. With new rigs entering the market, rig owners have already acknowledged the oversupply situation and have begun retiring older rigs. Eleven jackups were scrapped in 2015 and another 9 have been removed from the market year-to-date. This is an improvement compared to a total of 13 jackups removed in the two years prior.

**Figure 1: Utilization rates for Jackups still falling but rate of decline may be slowing**

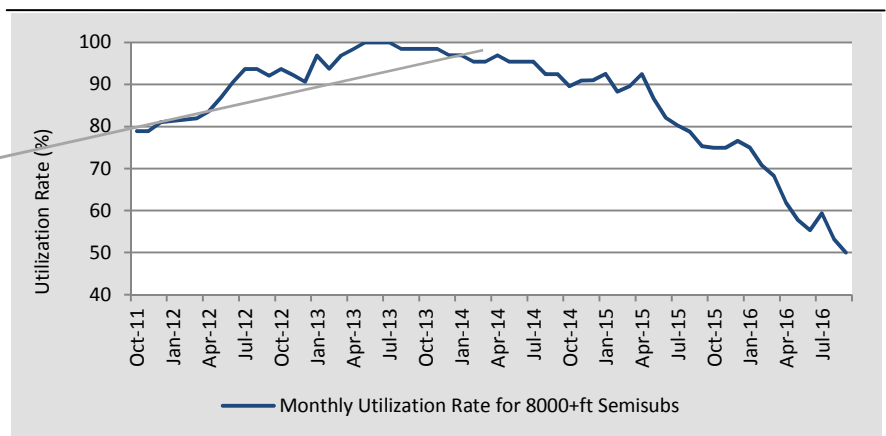
Utilization rates for the most common type of jackups rated for 300ft+ water depth has declined from 80-90% during 2010-2014 to 58% currently, with some regions like Southeast Asia reporting even lower utilization rates (~40%).



Source: Riglogix, KGI Securities

**Figure 2: Utilization rates for deepwater rigs has suffered more than shallow water**

From a peak 100% utilization rate in 2013, utilization rates continues to fall, recently declining to 50% for semisubs rated for 8000ft+ water depth.



Source: Riglogix, KGI Securities

## Reactions of the companies in the second year of the oil & gas downturn

### Rightsizing operations

The rig builders have continued to reduce their workforce. Keppel O&M has reduced its direct workforce by almost 8,000 or around 26% for 9M16. Together with reducing variable costs and cutting overheads, Keppel has managed to report operating margins at 11.4% for 3Q16 and 12.5% for 9M16. Other steps being proactively taken include reduction in monthly salary among senior management and proposed lower directors' fee for 2016.

Sembcorp Marine has also reduced its manpower count by 8,000 comprising of employees and sub-contractors since the beginning of 2015. At its peak in 2014, it employed a total of 36,000 workers. In addition, it will be returning two shipyards to the government in 2017 that will result in operating lease savings going forward, with additional benefits of extracting synergies from moving to its new Tuas Boulevard Yard (TBY). In addition to the two yards scheduled to be returned next year, the group will still be looking to return the other yards at or before their lease expiry date.

### Diversifying beyond rig building

On a more positive note, the companies see continuing interest in FPSO conversions and production solutions such as tension leg platforms and semi-submersible production units, as well as opportunities in the development of specialized vessels.

Keppel has focused on the LNG market over the long term, having secured orders for its first two dual-fuel tugs, based on Keppel's proprietary design. Keppel has also secured first two contracts with Shell to provide LNG bunkering services for vessel owners switching to LNG as a marine fuel. Although still in the early phases, LNG as an alternative marine fuel is on the rise as a result of emissions reduction goals set by the International Maritime Organization and the United Nations Climate Change Conference.

Sembcorp Marine has also been diversifying from drilling related vessels and rigs to non-drilling solutions. It has acquired several companies along the gas value chain. It invested in Gravifloat in 2014, allowing the group to offer near-shore redeploy able and modularized solutions for gas related projects in shallow waters. The group mentions that this solution allows for a more cost effective solution compared with Floating, Storage and Regasification Units (FSRU) and land terminals, and can be designed for both liquefaction and receiving terminal services.

We note that the push into LNG by both companies ties inline with Singapore government's push for Singapore to become Asia's hub for LNG trading. Singapore will be expanding the throughput capacity of the LNG terminal on Jurong Island from 6m tonnes/year to 11m tonnes/year by early 2017. The government is also studying the potential development of a second terminal.

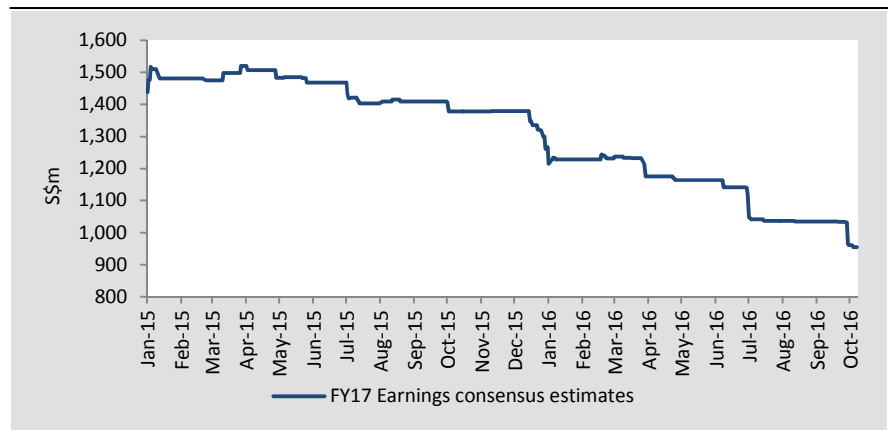
However, we do note that these diversification strategy may take years before contributing meaningfully to the company's performance. Meanwhile, key earnings drive for the rig builders will continue to be based on their orderbook.

**Weak results not unexpected - next year's earnings lowered by 30-60% from a year ago based on consensus estimates**

Based on consensus estimates for FY17, Keppel's earnings have been shaved down by 30% from a year ago. Consensus has a much dimmer view on Sembcorp Marine's performance for FY17 due to its weaker customer profile resulting in delivery deferrals. Sembcorp Marine's FY17 earnings have been downgraded by more than 60% from a year ago.

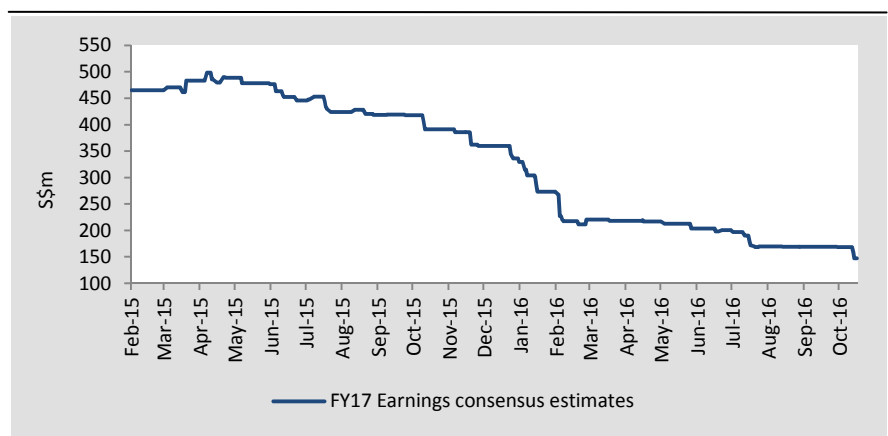
A downside surprise could be write-downs and impairments that may cause larger-than-expected losses. Fixed asset impairment is performed annually and we may have to wait and see until they release their full year results in January to have more clarity. Management at both companies have guided in their latest results that the provisions they have made so far remains appropriate and adequate. Keppel has made provisions of S\$230m while Sembcorp Marine has made provision of S\$329m for the Sete Brasil contracts and S\$280m for deferment and possible cancellations of rigs.

**Figure 3: Estimates for Keppel's FY17 earnings have been shaved down by 30% from 1 year ago.**



Source: Bloomberg, KGI Securities

**Figure 4: Sembcorp Marine's FY17 earnings estimates downgraded by 62% from 1 year ago, highlighting the weaker profile of customers that have resulted in more deferrals and cancellations.**



Source: Bloomberg, KGI Securities



CHINA  
DEVELOPMENT  
FINANCIAL

## RESULTS UPDATE

Singapore

# Keppel Corporation

(KEP SP; KPLM.SI)

### BUY - Upgrade

Price as of 28 Oct 2016	5.29
12M target price (S\$)	5.93
Previous target price (S\$)	5.67
Upside, incl div (%)	15.4

### Trading data

Market Cap (S\$m)	9,620.7
Issued Shares (m)	1,815.2
Ave Daily Traded (3-Month) Vol / Val	4.1m / \$21.9m
52 week lo / hi	\$4.64 / \$7.34
Free Float	99.9%

### Major Shareholders

Temasek	20.7%
Blackrock	5.9%

### Previous Recommendations

Date	Rating	Share Price (S\$)	Target Price (S\$)
22-Jul-16	HOLD	5.58	5.67
17-May-16	BUY	5.11	5.60
19-Apr-16	HOLD	6.00	5.60
22-Jan-16	SELL	4.80	4.26
22-Oct-15	HOLD	7.29	7.16

### KEP SP (Blue) vs. FSSTI (Red)



Source: Bloomberg

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## Trough valuations provides limited downside

**3Q16 net profit within expectations.** 3Q16 PATMI of S\$224.5m was inline with out expectations, with 9M16 PATMI making up 75% of our FY16F full year forecasts. 3Q16 PATMI declined 38% YoY mainly due to weakness from its offshore & marine business (PATMI -94% YoY to S\$10.6m) as customers continued to defer deliveries, offset by disposal gains in its property segment. Keppel's O&M business secured S\$500m of new contracts YTD but remains below our S\$1bn estimates for FY16. As a result, we shade down both our estimates for new contracts to S\$0.7bn/1.5bn/3bn (previously S\$1bn/3bn/3bn for FY16-18F and our FY16-17 earnings forecasts by 3-6%. Our forecasts remains in the lower range of consensus estimates.

**Upgrade to BUY.** We like Keppel's diversified business and strong balance sheet that may help to tide it through the current downturn. Furthermore, we believe its valuations that are trading at trough levels may provide limited downside going forward. We peg our fair value of S\$5.93 to SOTP valuation (Figure 6), based on a 20% discount to book for its property segment (a slight premium to peers for its high take up rates), and a 1.5x FY16F P/B for its O&M segment (-1SD of 15 year average). We expect Keppel's valuations for FY16/17 to be largely reliant on its property segment (~70% of total group valuation), with an upside surprise if oil prices can have a sustained recovery >US\$60 by 1H17. Keppel's track record of unlocking value via divestments may also provide upside to earnings and further strengthen its balance sheet.

**Land business contributed 70% of 3Q16 PATMI.** Keppel's property business' PATMI increased 9.5% YoY to S\$157.5m in 3Q16, lifted by a S\$73m disposal gain on its 80% stake in Life Hub Jinqiao Shanghai. Keppel sold around 3,510 homes in 9M16, mainly in China (85%) and the rest in Vietnam and Singapore. We expect this segment to contribute 50-60% of total group earnings in FY16. Its property segment still has 3500 units to be launched p.a. over the next two years in China alone and around 3000 units p.a. in Southeast Asia.

**Key risks** mainly include a longer period of low oil prices and property market slowdown in China. Industry derating catalyst from another oil & gas company failure.

### Financials & Key Operating Statistics

YE Dec (S\$ m)	2014	2015	2016F	2017F	2018F
Revenue	13283.0	10296.5	6356.4	6163.1	6366.3
PATMI	1884.8	1524.6	826.4	770.5	850.8
Core PATMI	1872.9	1509.7	826.4	770.5	850.8
Core EPS	103.7	83.0	45.5	42.4	46.8
Core EPS grth (%)	2.2	-20.0	-45.2	-6.8	10.4
Core P/E (x)	5.0	6.3	11.6	12.4	11.3
DPS (SG cents)	48.0	34.0	18.0	18.0	22.0
Div Yield (%)	9.1	6.5	3.4	3.4	4.2
Net Margin (%)	14.2	14.8	13.0	12.5	13.4
Gearing (%)	8.7	51.5	57.6	57.0	51.5
Price / Book (x)	0.9	0.9	0.8	0.8	0.8
ROE (%)	12.8	12.8	6.6	5.9	6.3

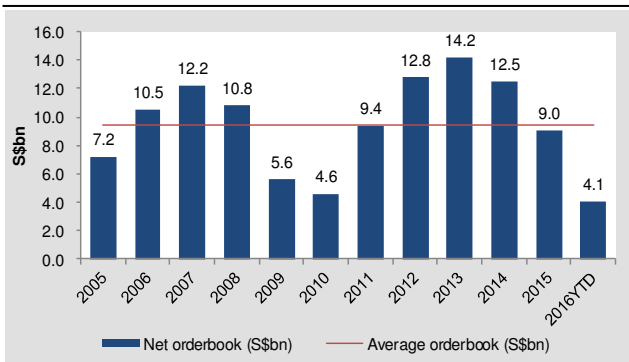
Source: Company Data, KGI Securities

Figure 1: Results comparison

FYE Dec (SGDm)	3QFY16	3QFY15	yoy % chg	2QFY16	qoq % chg	Prev FY16F	Comments 3Q16
Revenue	1,458.8	2,439.8	(40.2)	1,625.5	(10.3)	7,155.0	Lower than expected. 9M16 total revenue makes up 56% of our FY16 full year forecasts.
Operating costs	(1,273.2)	(2,069.3)	(38.5)	(1,391.9)	(8.5)	(6,350.3)	
EBITDA	316.3	569.0	(44.4)	384.9	(17.8)	1,186.2	
EBITDA margin (%)	0.2	0.2		0.2		0.2	
Depn & amort.	(52.7)	(55.2)	(4.4)	(57.7)	(8.6)	(234.6)	
EBIT	185.7	370.4	(49.9)	233.6	(20.5)	804.6	
Interest expense	(52.2)	(47.0)	10.9	(50.1)	4.2	(181.1)	
Int & Inv income	30.5	44.4	(31.2)	35.5	(13.8)	146.9	
Associates' contrib	122.4	101.5	20.6	65.4	87.1	367.8	
Exceptionals	-	-	nm	-	nm	-	
Pretax profit	286.4	469.3	(39.0)	284.4	0.7	1,138.2	
Tax	(60.8)	(97.0)	(37.3)	(65.1)	(6.6)	(230.5)	
Tax rate (%)	0.2	0.2		0.2		0.2	
NCI	(1.1)	(9.4)	(88.7)	(13.5)	(92.1)	(50.7)	
<b>Net profit</b>	<b>224.5</b>	<b>362.9</b>	<b>(38.1)</b>	<b>205.8</b>	<b>9.1</b>	<b>857.1</b>	
<b>Core profit</b>	<b>224.5</b>	<b>362.9</b>	<b>(38.1)</b>	<b>205.8</b>	<b>9.1</b>	<b>857.1</b>	9M16 earnings make up 75% of our full year forecasts. Lower sales offset by property disposal gains.
EPS (SGcts)	12.4	20.0	(38.1)	11.3	9.1	47.2	
Core EPS (SGcts)	12.4	20.0	(38.1)	11.3	9.1	47.2	

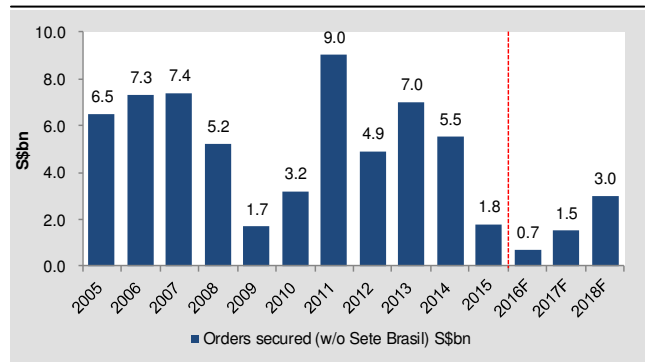
Source: Company data, KGI Securities

Figure 2: O&M net orderbook (\$\$bn)



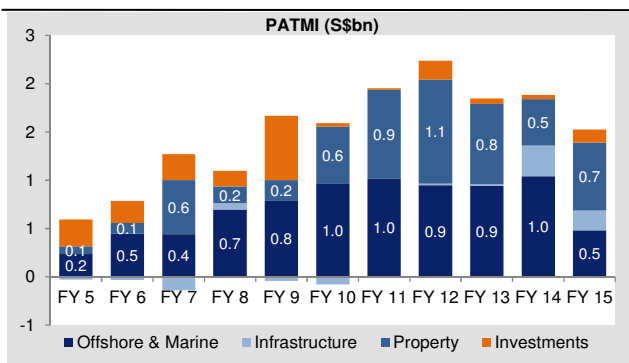
Source: Company data, KGI Securities \*FY16 excludes Sete Brasil orders

Figure 3: O&M new orders (\$\$bn)



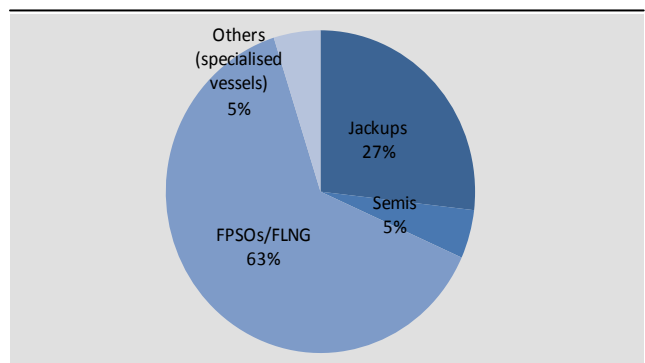
Source: Company data, KGI Securities

Figure 4: PATMI breakdown between segments (\$\$bn)



Source: Company data, KGI Securities

Figure 5: Net orderbook breakdown

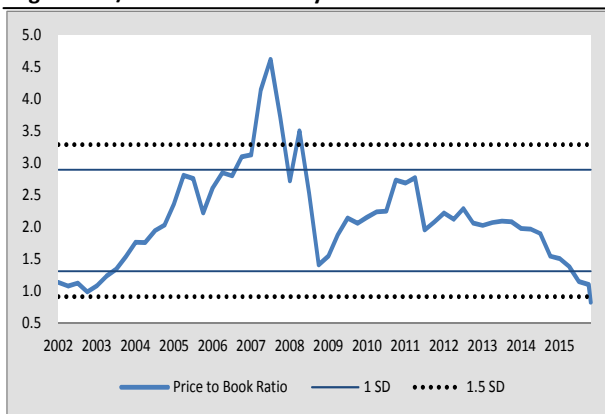


Source: Company data, KGI Securities

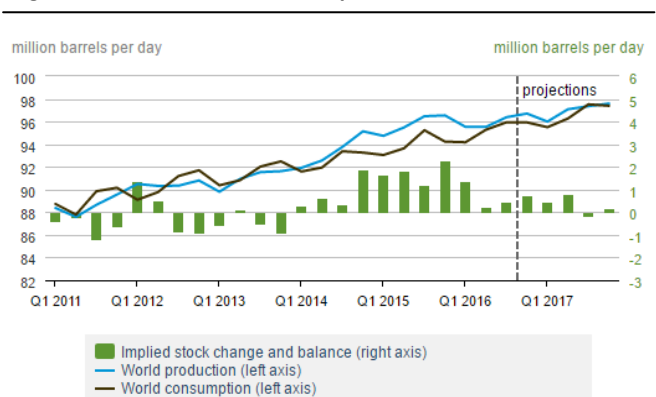
**Figure 6: SOTP Valuation**

	Stake (%)	Valuation Method	Value (S\$m)	Keppel's Share (S\$m)	Per Share (S\$)
<b>Offshore &amp; Marine</b>					
Offshore & Marine	100%	1.5x FY16 P/B	3,212	3,212	1.76
<b>Property</b>					
Property	100%	0.8x FY16 P/B	7,032	7,032	3.86
<b>Infrastructure</b>					
Keppel T&T	80%	Market price	966	773	0.42
Keppel Infrastructure Tru	18%	Market price	1,928	351	0.19
<b>Investments</b>					
K1 Ventures	40%	Market price	429	172	0.09
KrisEnergy	38%	Market price	229	86	0.05
M1	20%	Market price	1,906	381	0.21
<b>Total Value (S\$m)</b>				<b>12,006</b>	<b>6.59</b>
Shares (m)				1,823	
Value per share (S\$m)				6.59	
Conglomerate discount (%)				10.0%	
Target Price (S\$)				5.93	
Current price				5.29	
Upside/(downside)				12.0%	

Source: Company data, Bloomberg, KGI Securities

**Figure 7: P/B Valuations at 15 year low**


Source: Bloomberg, KGI Securities

**Figure 8: Balanced oil markets expected in 2017**


Source: US EIA, Short-Term Energy Outlook

**Figure 9: China residential properties ready to be launched averaging 3500 units per year**

Project	Location	Units Ready to Launch		
		4Q 2016	2017	2018
8 Park Avenue	Shanghai	21	16	-
Seasons Residence	Shanghai	5	233	-
Sheshan Riviera <sup>^</sup>	Shanghai	33	47	47
Waterfront Residence	Nantong	-	18	29
Central Park City	Wuxi	135	-	-
Waterfront Residence	Wuxi	3	504	371
Park Avenue Heights <sup>^</sup>	Wuxi	200	430	418
Stamford City	Jiangyin	19	120	213
Park Avenue Heights	Chengdu	34	364	-
Hill Crest Villa <sup>^</sup>	Chengdu	-	24	36
Serenity Villa <sup>^</sup>	Chengdu	18	24	48
V City	Chengdu	2	976	1,104
The Seasons	Shenyang	29	50	73
Serenity Villa	Tianjin	33	92	16
Tianjin Eco-City	Tianjin	192	791	816
Waterfront Residence	Tianjin	34	65	-
Keppel Cove <sup>^</sup>	Zhongshan	12	24	36
Hill Crest Residence	Kunming	2	12	41
<b>Total</b>		<b>772</b>	<b>3,790</b>	<b>3,248</b>

\* Balance units <sup>^</sup>New Launches Source: Company data, KGI Securities

**Figure 10: Keppel still has 35,000 units for sale in China. Take up rates have been positive at >90% for units launched**

China	Location	Stake	Total GFA (sm)	Total Units	Units Launched	Units Sold	Remaining Units For Sale	Remaining Area For Sale (sm)
8 Park Avenue	Shanghai	99%	133,393	918	918	881	37	10,396
The Springdale	Shanghai	99.4%	328,792	2,596	2,596	2,595	1	189
Seasons Residence	Shanghai	99.9%	128,918	1,102	953	947	155	18,394
Sheshan Riviera	Shanghai	100%	83,174	217	-	-	217	83,174
Waterfront Residence	Nantong	100%	189,437	1,199	79	39	1,160	178,761*
Central Park City	Wuxi	49.7%	671,477	5,339	4,447	4,424	915	146,639
Waterfront Residence	Wuxi	100%	306,607	1,481	62	53	1,428	283,823*
Park Avenue Heights	Wuxi	100%	165,308	1,048	-	-	1,048	165,308
Stamford City	Jiangyin	99.4%	299,991	1,478	1,125	1,016	462	101,897
Park Avenue Heights	Chengdu	100%	200,200	1,535	1,255	1,137	398	52,896
Hill Crest Villa	Chengdu	100%	163,147	274	-	-	274	163,147
Serenity Villa	Chengdu	100%	233,862	573	-	-	573	233,862
V City	Chengdu	35%	560,963	5,617	2,351	2,195	3,422	370,968*
The Seasons	Shenyang	100%	365,186	2,794	420	286	2,508	338,335
Hunnan Township Devt	Shenyang	99.8%	756,580	7,026	-	-	7,026	756,580
Serenity Villa	Tianjin	100%	80,000	340	287	141	199	54,464
Mixed-use Devt	Tianjin	100%	1,358,202	11,299	-	-	11,299	1,358,202
Tianjin Eco-City	Tianjin	100%	625,292	4,294	2,147	2,109	2,185	403,594*
Waterfront Residence	Tianjin	100%	61,417	341	245	242	99	18,509
Keppel Cove	Zhongshan	80%	460,000	1,647	-	-	1,647	460,000
Hill Crest Residence (Ph 1)	Kunming	68.8%	20,193	133	133	112	21	4,415
Hill Crest Residence (Ph 2)	Kunming	68.8%	24,428	130	33	8	122	24,846
La Quinta II	Kunming	68.8%	10,928	62	62	58	4	810
<b>Total</b>			<b>7,227,495</b>	<b>51,443</b>	<b>17,113</b>	<b>16,243</b>	<b>35,200</b>	<b>5,229,210</b>

Source: Company data, KGI Securities



## Summary of Financials

YE 31 Dec

<b>INCOME STATEMENT (S\$m)</b>	<b>2014</b>	<b>2015</b>	<b>2016F</b>	<b>2017F</b>	<b>2018F</b>
<b>Revenue</b>	<b>13,283.0</b>	<b>10,296.5</b>	<b>6,356.4</b>	<b>6,163.1</b>	<b>6,366.3</b>
Cost of sales	(9,244.6)	(7,023.3)	(4,004.6)	(4,006.0)	(4,138.1)
<b>Gross Profit</b>	<b>4,038.4</b>	<b>3,273.1</b>	<b>2,351.9</b>	<b>2,157.1</b>	<b>2,228.2</b>
Other operating income/(expenses)	68.0	(159.5)	(366.0)	(373.0)	(379.5)
Selling and distribution	0.0	0.0	0.0	0.0	0.0
Admin	(1,733.0)	(1,600.0)	(1,144.2)	(1,016.9)	(1,018.6)
<b>Profit from Operations</b>	<b>2,373.4</b>	<b>1,513.6</b>	<b>841.7</b>	<b>767.2</b>	<b>830.1</b>
Finance income/(expenses)	(0.9)	(35.5)	(54.7)	(64.6)	(25.0)
Share of JV results	504.2	504.3	318.5	331.6	331.6
Exceptionals/Investment income	11.9	15.0	0.0	0.0	0.0
<b>Profit before Tax</b>	<b>2,888.6</b>	<b>1,997.4</b>	<b>1,105.4</b>	<b>1,034.2</b>	<b>1,136.7</b>
Income tax	(462.4)	(404.4)	(232.1)	(217.2)	(238.7)
Non-controlling interests	(541.5)	(68.3)	(46.9)	(46.5)	(47.2)
<b>PATMI</b>	<b>1,884.8</b>	<b>1,524.6</b>	<b>826.4</b>	<b>770.5</b>	<b>850.8</b>
PATMI Normalized	1,872.9	1,509.7	826.4	770.5	850.8
<b>BALANCE SHEET (S\$m)</b>	<b>2014</b>	<b>2015</b>	<b>2016F</b>	<b>2017F</b>	<b>2018F</b>
Cash and cash equivalents	6,107.5	2,118.0	1,309.3	2,149.3	2,545.2
Trade and other receivables	3,140.1	3,808.2	2,860.4	2,773.4	2,864.8
Inventory	10,681.1	10,650.5	8,810.0	8,813.2	8,193.4
Other current assets	1,258.6	0.0	0.0	0.0	0.0
<b>Current Assets</b>	<b>21,187.4</b>	<b>16,576.7</b>	<b>12,979.8</b>	<b>13,736.0</b>	<b>13,603.5</b>
Property, plant and equipment	2,673.0	2,845.5	2,925.4	2,904.1	2,854.2
Other non-current assets	7,694.5	9,509.8	10,278.9	11,053.8	11,834.7
<b>Non-current Assets</b>	<b>10,367.5</b>	<b>12,355.4</b>	<b>13,204.3</b>	<b>13,957.9</b>	<b>14,688.9</b>
<b>Total assets</b>	<b>31,554.8</b>	<b>28,932.1</b>	<b>26,184.1</b>	<b>27,693.9</b>	<b>28,292.4</b>
Trade and other payables	7,978.8	7,640.4	4,356.4	4,358.0	4,501.6
Borrowings (current)	1,795.6	1,656.7	1,906.9	1,848.9	1,909.9
Other current liabilities	1,199.4	609.0	132.8	117.9	139.4
<b>Current Liabilities</b>	<b>10,973.9</b>	<b>9,906.1</b>	<b>6,396.2</b>	<b>6,324.8</b>	<b>6,551.0</b>
Borrowings (non-current)	5,586.9	6,601.9	6,674.3	7,765.5	7,639.6
Other non-current liabilities	266.4	498.1	498.1	498.1	498.1
<b>Non-current liabilities</b>	<b>5,853.3</b>	<b>7,100.1</b>	<b>7,172.4</b>	<b>8,263.6</b>	<b>8,137.7</b>
Shareholders equity	10,380.8	11,095.7	11,738.4	12,181.8	12,632.8
Non-controlling interests	4,346.9	830.2	877.1	923.7	970.9
<b>Total Equity</b>	<b>14,727.6</b>	<b>11,925.9</b>	<b>12,615.5</b>	<b>13,105.4</b>	<b>13,603.7</b>
<b>Total Liabilities and Equity</b>	<b>31,554.8</b>	<b>28,932.1</b>	<b>26,184.1</b>	<b>27,693.9</b>	<b>28,292.4</b>
<b>CASH FLOW STATEMENT (S\$m)</b>	<b>2014</b>	<b>2015</b>	<b>2016F</b>	<b>2017F</b>	<b>2018F</b>
Net income before tax	2,888.6	1,997.4	1,105.4	1,034.2	1,136.7
Depreciation & non cash adjustments	129.9	(328.0)	650.9	229.9	103.5
Change in Working Capital	(2,537.8)	(1,922.8)	(348.8)	232.3	819.0
Income Tax Paid	(328.0)	(302.4)	(708.3)	(232.1)	(217.2)
Interest Paid	(130.8)	(149.1)	(201.7)	(211.5)	(171.9)
<b>CF from operating activities</b>	<b>21.8</b>	<b>(705.0)</b>	<b>497.6</b>	<b>1,052.7</b>	<b>1,670.1</b>
Purchase/Disposal of PPE	(594.9)	(1,147.0)	(458.8)	(367.0)	(330.3)
Other CFI	1,471.5	1,273.1	(580.0)	(580.0)	(580.0)
<b>CF from investing activities</b>	<b>876.6</b>	<b>126.1</b>	<b>(1,038.8)</b>	<b>(947.0)</b>	<b>(910.3)</b>
Dividends Paid	(762.9)	(872.5)	(618.1)	(327.1)	(327.1)
Debt Raised / (Repaid)	271.5	923.6	322.5	1,033.2	(65.0)
Equity Raised / (Bought Back)	34.3	0.0	0.0	0.0	0.0
Other Cash from Financing	(311.7)	(3,353.6)	0.0	0.0	0.0
<b>CF from financing activities</b>	<b>(768.8)</b>	<b>(3,302.4)</b>	<b>(295.6)</b>	<b>706.2</b>	<b>(392.0)</b>
Net increase in cash & cash equiv.	171.8	(3,853.2)	(808.6)	840.0	395.9
FX effects	42.2	28.1	28.1	28.1	28.1
Beginning Cash	5,564.2	5,712.4	1,859.1	1,050.5	1,890.5
<b>Ending Cash</b>	<b>6,107.5</b>	<b>2,118.0</b>	<b>1,309.3</b>	<b>2,149.3</b>	<b>2,545.2</b>



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## RESULTS UPDATE

Singapore

# Sembcorp Marine

(SMM SP; SCMN.SI)

### Hold - Maintain

Price as of 28 Oct 2016	1.29
12M target price (\$S)	1.39
Previous target price (\$S)	1.53
Upside (%)	8.4

### Trading data

Market Cap (\$S m)	2,684.7
Issued Shares (m)	2,089.3
Ave Daily Traded (3-Month) Vol / Val	4.8m / \$6.3m
52 week lo / hi	\$1.22 / \$2.43
Free Float	38.7%

### Major Shareholders

Sembcorp Industries	61.1%
Franklin Resources	1.8%

### Previous Recommendations

Date	Rating	Share Price (\$S)	Target Price (\$S)
29-Jul-16	HOLD	1.440	1.530
28-Apr-16	HOLD	1.670	1.650
16-Feb-16	SELL	1.460	1.110
23-Oct-15	SELL	2.540	2.070
29-Jul-15	SELL	2.710	2.060

### SMM SP (Blue) vs. FSSTI (Red)



Source: Bloomberg

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## Nothing surprising - just more deferrals

**Results below expectations; maintain HOLD.** Sembcorp Marine net loss of S\$22m came in below our expectations, with 9M16 net profit making up barely 32% of our full year forecasts. The weaker-than-expected results was mainly due to a S\$19m forex loss from assets denominated in GBP and S\$27m losses from Sembcorp Marine's share in Cosco Corp. We adjust our FY16-18F earnings lower by 30-35% to take into account more delivery deferrals and lower margins. We maintain our HOLD recommendation with a TP of S\$1.39, based on a 1.4x adjusted FY16F P/B (15 years trough valuations; adjusted book value based on an estimated S\$300m of further write-down/impairment of receivables/fixed-assets; previously-1.5 SD to 15 year P/B average).

**Net gearing stabilizing at around 1x and expected to improve.** Current net gearing stands at 1.03x, an improvement from 1.1x as at end Sep-16, mainly from operating cash inflow of S\$800m for delivery of two major projects (Noble jackup and the Denorske platform). We expect Sembcorp Marine to generate positive free cash flows from 2H16 onwards as most of its capex for its new Tuas yard have already been expended and as the group requires lower working capital to complete remaining work. The group is also expected to see some savings when it returns two yards in Singapore to the government in 2017.

**Focusing on production and repairs/upgrades.** Net orderbook excluding Sete Brasil declined to S\$5.2bn, providing roughly two years of work for its yards. It secured S\$320m of new contracts in 9M16 (no new contracts in 3Q16), compared to an average of S\$3.8bn p.a. over the past 10 years. On a positive note, more than 80% of its orderbook is on progressive payment terms with an average upfront payment of 30%. Repairs & upgrades (~20% of annual turnover) remains stable, contributing ~S\$500m to annual revenues while the focus on the production side of the sector boosted its offshore platform business (~30% of annual sales) turnover by 27% YoY to S\$916m in 9M16.

**Key risks.** Cancellations from customers remains the biggest risk. Lower for longer oil prices that may delay recovery in capex spending by customers. Upside risk comes mainly from oil prices recovering above US\$60/bbl and from corporate actions.

### Financials & Key Operating Statistics

YE Dec (\$S m)	2014	2015	2016F	2017F	2018F
Revenue	5832.6	4968.1	3527.2	2591.5	2481.1
PATMI	560.1	-271.0	72.1	97.3	72.6
Core PATMI	560.0	383.7	72.1	97.3	72.6
Core EPS	26.8	18.4	3.4	4.7	3.5
Core EPS grth (%)	1.3	-31.5	-81.2	35.0	-25.3
Core P/E (x)	4.8	7.0	37.3	27.6	37.0
DPS (SG Cents)	13.0	6.0	2.0	2.0	2.0
Div Yield (%)	10.1	4.7	1.6	1.6	1.6
Net Margin (%)	9.6	-5.5	2.0	3.8	2.9
Gearing (%)	23.8	103.3	104.9	87.3	87.2
Price / Book (x)	0.9	1.1	1.1	1.0	1.0
ROE (%)	17.9	-10.2	2.7	3.6	2.6

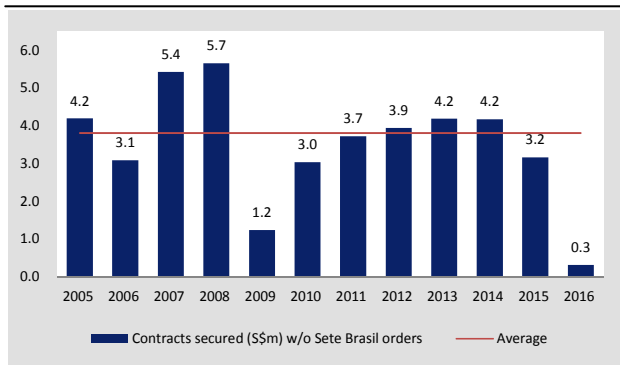
Source: Company Data, KGI Securities

Please see important disclosures at the end of this publication

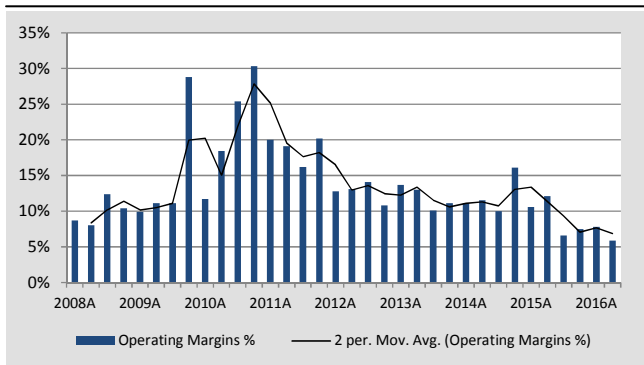
**Figure 1: Results comparison**

FYE Dec (SGDm)	3QFY16	3QFY15	yoy % chg	2QFY16	qoq % chg	Prev FY16F	Comments
Revenue	888.0	1,129.9	(21.4)	908.5	(2.3)	3,681.0	Within expectations. 9M16 revenues at 74% of our full year revenue forecasts. 3Q16 21% YoY decline in revenue was led by lower rig building activities (-43% YoY) offset by higher contribution from offshore platform construction (+10% YoY).
Operating costs	(855.1)	(1,055.1)	(19.0)	(854.9)	0.0	(3,426.0)	S\$18.9m forex losses from assets denominated mainly in GBP
EBITDA	74.1	78.0	(4.9)	114.2	(35.1)	374.7	
EBITDA margin (%)	8.3%	6.9%		12.6%		10.2%	
Deprn & amort.	(37.0)	(31.5)	17.4	(33.5)	10.3	(135.4)	
EBIT	32.9	74.8	(55.9)	53.6	(38.5)	255.0	
Interest expense	(22.5)	(12.1)	85.7	(22.5)	(0.0)	(79.7)	
Int & Inv income	2.9	1.5	92.7	1.3	126.9	6.0	
Associates' contrib	(27.7)	(24.4)	13.3	(4.7)	487.0	-	Associates' losses mainly from Cosco Corp
Exceptionals	(3.9)	(17.1)	(77.2)	(8.4)	(53.3)	-	
Pretax profit	(18.3)	22.6	(181.0)	19.2	(195.0)	181.3	
Tax	(3.5)	8.9	(139.4)	(8.5)	(58.6)	(39.2)	
Tax rate (%)	(19.3%)	(39.6%)		44.2%		21.6%	
NCI	0.0	0.6	(97.1)	0.7	(97.6)	7.6	
<b>Net profit</b>	<b>(21.8)</b>	<b>32.1</b>	<b>(167.9)</b>	<b>11.5</b>	<b>(290.3)</b>	<b>149.7</b>	
<b>Core profit</b>	<b>(17.9)</b>	<b>49.2</b>	<b>(136.3)</b>	<b>19.8</b>	<b>(190.3)</b>	<b>149.7</b>	9M16 core net profit makes up 32% of our full year forecasts.
EPS (SGDcts)	(1.0)	1.5	(167.9)	0.5	(290.3)	7.2	
Core EPS (SGDcts)	(0.9)	2.4	(136.3)	0.9	(190.3)	7.2	

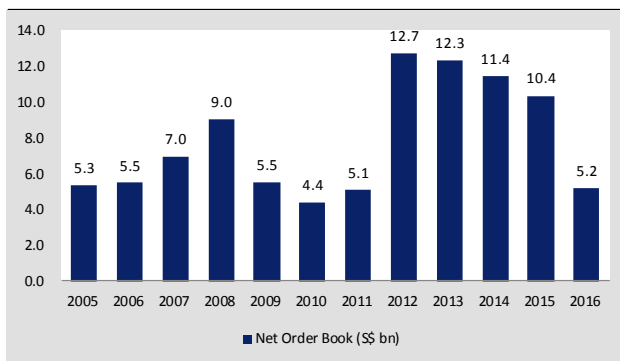
Source: Company data, KGI Securities

**Figure 2: Orders secured per year (S\$bn)**


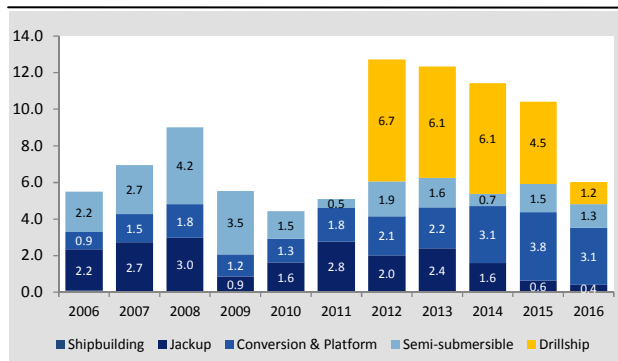
Source: Company data, KGI Securities

**Figure 3: Quarterly operating margins (%)**


Source: Company data, KGI Securities

**Figure 4: Net orderbook (S\$bn)**


Source: Company data, KGI Securities \*FY16 excludes Sete Brasil

**Figure 5: Net orderbook breakdown (S\$bn)**


Source: Company data, KGI Securities \*FY16 excludes Sete Brasil

## Summary of Financials

YE 31 Dec

INCOME STATEMENT (\$\$m)	2014	2015	2016F	2017F	2018F
<b>Revenue</b>	<b>5,832.6</b>	<b>4,968.1</b>	<b>3,527.2</b>	<b>2,591.5</b>	<b>2,481.1</b>
Cost of sales	(4,988.9)	(4,837.2)	(3,209.7)	(2,306.4)	(2,208.2)
<b>Gross Profit</b>	<b>843.7</b>	<b>130.9</b>	<b>317.4</b>	<b>285.1</b>	<b>272.9</b>
Other operating income/(expenses)	15.8	664.2	0.0	0.0	0.0
Selling and distribution	0.0	0.0	0.0	0.0	0.0
Admin	(152.4)	(290.4)	(112.9)	(90.7)	(99.2)
<b>Profit from Operations</b>	<b>707.0</b>	<b>504.7</b>	<b>204.6</b>	<b>194.4</b>	<b>173.7</b>
Finance income/(expenses)	(11.2)	(35.4)	(77.3)	(79.4)	(89.3)
Share of JV results	11.1	(173.5)	(34.7)	0.0	0.0
Exceptionals/Investment income	0.2	(654.7)	0.0	0.0	0.0
<b>Profit before Tax</b>	<b>707.0</b>	<b>(358.9)</b>	<b>92.5</b>	<b>114.9</b>	<b>84.4</b>
Income tax	(105.7)	77.6	(27.8)	(23.0)	(16.9)
Non-controlling interests	(41.1)	10.3	7.3	5.4	5.1
<b>PATMI</b>	<b>560.1</b>	<b>(271.0)</b>	<b>72.1</b>	<b>97.3</b>	<b>72.6</b>
PATMI Normalized	560.0	383.7	72.1	97.3	72.6
BALANCE SHEET (\$\$m)	2014	2015	2016F	2017F	2018F
Cash and cash equivalents	1,078.8	629.3	651.7	418.7	280.4
Trade and other receivables	468.5	589.7	529.1	414.6	421.8
Inventory	3,005.4	3,833.1	3,530.7	2,421.7	2,318.6
Other current assets	14.4	65.0	65.0	65.0	65.0
<b>Current Assets</b>	<b>4,567.1</b>	<b>5,117.0</b>	<b>4,776.5</b>	<b>3,320.0</b>	<b>3,085.7</b>
Property, plant and equipment	3,008.9	3,540.6	3,778.3	3,823.0	3,844.4
Other non-current assets	662.4	543.5	674.1	696.8	720.5
<b>Non-current Assets</b>	<b>3,671.3</b>	<b>4,084.1</b>	<b>4,452.4</b>	<b>4,519.8</b>	<b>4,564.8</b>
<b>Total assets</b>	<b>8,238.4</b>	<b>9,201.1</b>	<b>9,228.8</b>	<b>7,839.8</b>	<b>7,650.5</b>
Trade and other payables	2,831.0	2,806.7	2,728.3	1,960.5	1,877.0
Borrowings (current)	480.6	915.0	649.6	477.3	456.9
Other current liabilities	136.9	175.4	167.4	157.8	146.0
<b>Current Liabilities</b>	<b>3,448.6</b>	<b>3,897.0</b>	<b>3,545.2</b>	<b>2,595.5</b>	<b>2,479.9</b>
Borrowings (non-current)	1,343.2	2,465.2	2,821.7	2,332.3	2,233.0
Other non-current liabilities	314.6	174.6	174.6	174.6	174.6
<b>Non-current liabilities</b>	<b>1,657.8</b>	<b>2,639.8</b>	<b>2,996.3</b>	<b>2,506.9</b>	<b>2,407.6</b>
Shareholders equity	2,965.1	2,511.2	2,541.5	2,597.0	2,627.8
Non-controlling interests	166.9	153.1	145.8	140.4	135.3
<b>Total Equity</b>	<b>3,132.0</b>	<b>2,664.3</b>	<b>2,687.3</b>	<b>2,737.4</b>	<b>2,763.1</b>
<b>Total Liabilities and Equity</b>	<b>8,238.4</b>	<b>9,201.1</b>	<b>9,228.8</b>	<b>7,839.8</b>	<b>7,650.5</b>
CASH FLOW STATEMENT (\$\$m)	2014	2015	2016F	2017F	2018F
Net income before tax	707.0	(358.9)	92.5	114.9	84.4
Depreciation & non cash adjustments	111.5	126.5	135.4	141.9	146.5
Change in Working Capital	(1,358.7)	(1,120.5)	171.4	343.6	(105.5)
Income Tax Paid	(82.8)	(100.6)	(35.7)	(32.5)	(28.7)
Interest Paid	(19.5)	(46.8)	(83.3)	(84.3)	(94.1)
<b>CF from operating activities</b>	<b>(508.3)</b>	<b>(989.1)</b>	<b>425.1</b>	<b>652.4</b>	<b>186.3</b>
Purchase/Disposal of PPE	(738.9)	(932.8)	(373.1)	(186.6)	(167.9)
Other CFI	(31.5)	0.6	0.0	0.0	0.0
<b>CF from investing activities</b>	<b>(770.4)</b>	<b>(932.2)</b>	<b>(373.1)</b>	<b>(186.6)</b>	<b>(167.9)</b>
Dividends Paid	(285.0)	(250.7)	(125.4)	(41.8)	(41.8)
Debt Raised / (Repaid)	963.6	1,743.5	91.2	(661.7)	(119.7)
Equity Raised / (Bought Back)	0.7	0.0	0.0	0.0	0.0
Other Cash from Financing	(11.6)	(25.8)	0.0	0.0	(0.0)
<b>CF from financing activities</b>	<b>667.7</b>	<b>1,467.1</b>	<b>(34.2)</b>	<b>(703.5)</b>	<b>(161.5)</b>
Net increase in cash & cash equiv.	(610.9)	(454.2)	17.7	(237.8)	(143.0)
FX effects	(7.2)	4.7	4.7	4.7	4.7
Beginning Cash	1,694.9	1,076.8	627.3	649.7	416.7
<b>Ending Cash</b>	<b>1,078.8</b>	<b>629.3</b>	<b>651.7</b>	<b>418.7</b>	<b>280.4</b>



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## RESULTS UPDATE

Singapore

# Triyards Holdings

(ETL SP; TRIY.SI)

### Buy - Maintain

Price as of 28 Oct 2016	0.26
12M target price (S\$)	0.43
Previous target price (S\$)	0.52
Upside, incl div (%)	69.0

### Trading data

Market Cap (S\$m)	82.7
Issued Shares (m)	324.5
Ave Daily Traded (3-Month) Vol / Val	0.3m / \$0.1m
52 week lo / hi	\$0.22 / \$0.52
Free Float	32.3%

### Major Shareholders

Ezra Holdings	61.0%
Lionel Lee	6.3%

### Previous Recommendations

Date	Rating	Share Price (S\$)	Target Price (S\$)
12-Jul-16	BUY	0.390	0.520
8-Apr-16	BUY	0.400	0.550
11-Mar-16	BUY	0.490	0.550
11-Jan-16	BUY	0.490	0.550
21-Oct-15	BUY	0.405	0.550

### 12-Mth ETL SP (Blue) vs. FSSTI (Red)



Source: Bloomberg

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## Favorable risk/reward at current price

**Results below expectations.** 4Q16 net income came in below our expectations, with FY16 net profit making up 89% full year forecasts. 4Q16 Revenue increased 7% YoY while net income declined 73% YoY. The lower-than-expected net profit was mainly due to lower gross margins from its strategy of diversifying into new products and markets. As a result, we adjust our FY17-18 estimates lower by 30% to take into account lower gross profit margin assumptions (15/15/17% FY17-19F; previously 20% FY16-18F; average 19.5% in previous three years).

**Maintain BUY.** We maintain our BUY recommendation with a lower TP of S\$0.43, pegged to 0.5x FY17F P/B, which is >50% discount to its bigger peers (previously pegged to 6x FY17F P/E). Although we expect earnings to be weak in next two years, we believe risk/reward ratio looks favorable given the trough valuations at current price and manageable debt levels. Net gearing remains one of the lowest among peers. Net gearing increased slightly to 0.6x from 0.55x as at end 3Q16 mainly due to increased working capital requirements for major projects that have reached their advanced stage of construction.

**Orderbook remains at healthy levels as it continues diversification of products and customers.** Its net orderbook decreased to US\$422m from US\$564 as at end FY15. This provides roughly two years of revenue visibility. Triyards' has been able to diversify outside the oil & gas sector. Liftboats now make up 47% of its net orderbook compared to 79% as at end FY14 and 59% as at end FY15. The remainder of its net orderbook is made up of a good mix of multi-purpose vessels, chemical tankers and non-oil & gas specialized vessels. It still managed to secure US\$28m of new orders. Diversification of customer base into the Middle East provides new avenues for securing more contracts. Triyards secured a 134.4m floating dock contract from a Middle Eastern client. Another positive development we have been expecting was the award of the API-2C Monogram Certificate that allows it to manufacture cranes, thus adding to Triyards' increasing product range.

**Key risks.** Key risk may come from further margin pressure as it takes on more non-O&G orders. Weaker-than-expected order wins and order cancellation.

### Financials & Key Operating Statistics

YE Aug (US\$ m)	2015	2016	2017F	2018F	2019F
Revenue	270.1	324.9	341.1	358.2	376.1
PATMI	27.2	17.8	15.2	16.1	27.2
Core PATMI	23.6	19.5	15.2	16.1	27.2
Core EPS	6.7	5.5	4.3	4.5	7.7
Core EPS grth (%)	-27.1	-17.1	-22.4	6.1	69.1
Core P/E (x)	3.2	3.9	5.0	4.7	2.8
DPS (SG cents)	1.0	0.0	0.0	0.0	0.0
Div Yield (%)	3.6	0.0	0.0	0.0	0.0
Net Margin (%)	10.1	5.5	4.4	4.5	7.2
Gearing (%)	28.9	60.1	43.8	35.7	23.8
Price / Book (x)	0.4	0.3	0.3	0.3	0.3
ROE (%)	13.0	8.0	6.4	6.4	9.8

Source: Company Data, KGI Securities

Please see important disclosures at the end of this publication

**Figure 1: Results comparison**

FYE Aug (USDm)	4QFY16	4QFY15	yoy % chg	3QFY16	qoq % chg	FY16F	Comments
Revenue	94.2	88.4	6.6	82.1	14.8	286.9	Above expectations. FY16 revenues makes up 113% of our FY16 forecast. It recognised three liftboats, two MPSVs, three chemical tankers, four escort tugs and one scientific research vessel and contribution from Strategic Marine for construction of crew boats and wind farm vessels.
Operating costs	(86.9)	(74.8)	16.2	(72.7)	19.6	(247.3)	
EBITDA	7.3	13.6	(46.4)	9.4	(22.2)	39.6	Lower than expected due to drop in gross profit as a result of lower margins from new markets and products.
EBITDA margin (%)	7.8	15.4		11.4		13.8	
Depn & amort.	(2.9)	(3.1)	(6.1)	(2.7)	7.1	(10.9)	
EBIT	4.4	10.5	(58.3)	6.7	(34.2)	28.7	
Interest expense	(0.9)	(0.9)	3.4	(1.8)	(49.6)	(4.6)	
Int & Inv income	0.0	0.0	(22.7)	0.0	25.9	0.0	
Associates' contrib	-	-	nm	-	nm	-	
Exceptionals	(1.7)	(0.3)	497.9	-	nm	-	
Pretax profit	1.8	9.4	(80.9)	4.9	(63.6)	24.2	
Tax	0.4	(1.0)	143.8	(0.8)	154.3	(2.2)	
Tax rate (%)	(24.6)	10.7		16.5		9.3	
NCI	-	-	nm	-	nm	-	
<b>Net profit</b>	<b>2.2</b>	<b>8.4</b>	<b>(73.4)</b>	<b>4.1</b>	<b>(45.8)</b>	<b>21.9</b>	
<b>Core profit</b>	<b>4.0</b>	<b>8.7</b>	<b>(54.3)</b>	<b>4.1</b>	<b>(3.5)</b>	<b>21.9</b>	Below expectations mainly from lower gross profit margins. FY16 net profit makes up 89% of our FY16 net profit forecasts.
EPS (USDcts)	0.6	2.4	(73.4)	1.2	(45.8)	6.2	
Core EPS (USDcts)	1.1	2.5	(54.3)	1.2	(3.5)	6.2	

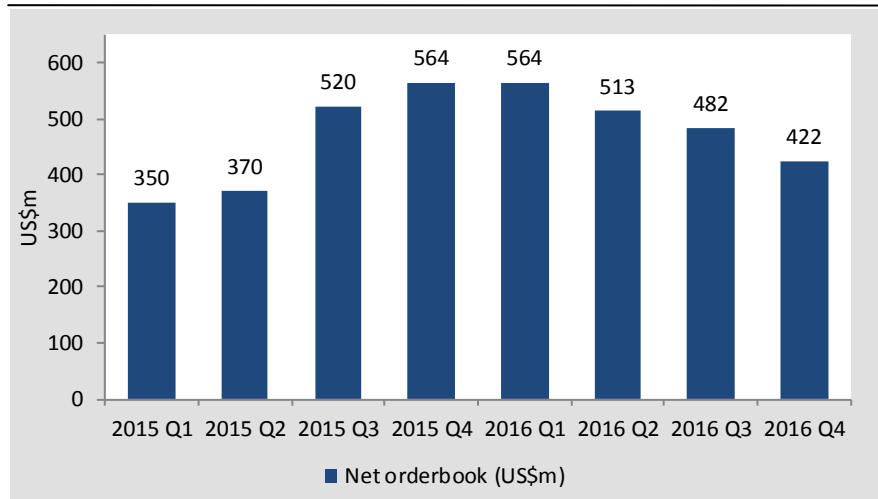
Source: Company data, KGI Securities

**Figure 2: Diversifying orderbook outside the O&G sector. New orders secured.**

Date	Contract value (US\$m)	Model	Customer	Units
2015-10-20	100.0	Chemical tankers		3
2015-11-17	12.8	Escort tugs		4
2015-12-17	45.5	Research Vessel		1
		Crew Transfer Vessels		
2015-12-30	21.8	Multi-role oil barges	CPC Corporation	2
2016-04-07	17.8	Wind farm support vessels		4

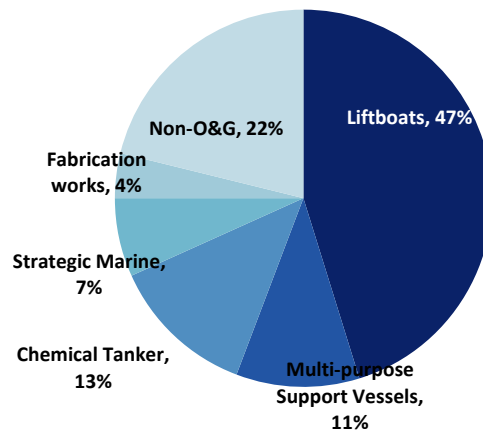
Source: Company data, KGI Securities

**Figure 3: Healthy orderbook providing around two years of revenue visibility**



Source: Company data, KGI Securities

**Figure 4: Breakdown of orderbook by product mix**



Source: Company data, KGI Securities

## Summary of Financials

YF 31 Aug

<b>INCOME STATEMENT (US\$m)</b>	2015	2016	2017F	2018F	2019F
<b>Revenue</b>	<b>270.1</b>	<b>324.9</b>	<b>341.1</b>	<b>358.2</b>	<b>376.1</b>
Cost of sales	(210.1)	(269.5)	(290.0)	(304.5)	(312.2)
<b>Gross Profit</b>	<b>60.0</b>	<b>55.4</b>	<b>51.2</b>	<b>53.7</b>	<b>63.9</b>
Other operating income/(expenses)	1.3	(0.2)	(0.3)	(0.3)	(0.3)
Selling and distribution	0.0	0.0	0.0	0.0	0.0
Admin	(30.1)	(29.1)	(30.6)	(32.1)	(33.7)
<b>Profit from Operations</b>	<b>31.3</b>	<b>26.1</b>	<b>20.4</b>	<b>21.4</b>	<b>30.0</b>
Finance costs	(4.9)	(4.7)	(3.6)	(3.7)	0.0
Share of JV results	0.0	0.0	0.0	0.0	0.0
<b>Profit before Tax</b>	<b>29.9</b>	<b>19.6</b>	<b>16.7</b>	<b>17.7</b>	<b>30.0</b>
Income tax	(2.8)	(1.8)	(1.6)	(1.6)	(2.8)
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
<b>PATMI</b>	<b>27.2</b>	<b>17.8</b>	<b>15.2</b>	<b>16.1</b>	<b>27.2</b>
PATMI Normalized	23.6	19.5	15.2	16.1	27.2

<b>BALANCE SHEET (US\$m)</b>	2015	2016	2017F	2018F	2019F
Cash and cash equivalents	43.5	15.6	9.4	21.1	50.4
Trade and other receivables	156.4	177.9	197.5	207.4	217.7
Inventory	51.7	64.5	71.4	74.9	76.8
Other current assets	31.2	70.5	70.5	70.5	70.5
<b>Current Assets</b>	<b>282.7</b>	<b>328.5</b>	<b>348.8</b>	<b>373.9</b>	<b>415.4</b>
Property, plant and equipment	138.3	137.6	139.5	135.9	131.6
Other non-current assets	9.1	12.1	12.6	13.1	13.7
<b>Non-current Assets</b>	<b>147.4</b>	<b>149.7</b>	<b>152.1</b>	<b>149.0</b>	<b>145.3</b>
<b>Total assets</b>	<b>430.2</b>	<b>478.2</b>	<b>500.8</b>	<b>522.9</b>	<b>560.7</b>
Trade and other payables	107.1	95.3	147.8	155.2	159.2
Borrowings (current)	88.4	138.0	102.3	100.3	105.3
Other current liabilities	8.4	6.7	2.0	2.1	3.2
<b>Current Liabilities</b>	<b>204.0</b>	<b>240.0</b>	<b>252.2</b>	<b>257.6</b>	<b>267.7</b>
Borrowings (non-current)	14.2	11.9	10.2	10.7	11.3
Other non-current liabilities	1.1	0.1	0.1	0.1	0.1
<b>Non-current liabilities</b>	<b>15.3</b>	<b>12.1</b>	<b>10.3</b>	<b>10.8</b>	<b>11.3</b>
Shareholders equity	208.4	223.6	235.8	251.8	279.1
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
<b>Total Equity</b>	<b>208.4</b>	<b>223.6</b>	<b>235.8</b>	<b>251.8</b>	<b>279.1</b>
<b>Total Liabilities and Equity</b>	<b>430.2</b>	<b>478.2</b>	<b>500.8</b>	<b>522.9</b>	<b>560.7</b>

<b>CASH FLOW STATEMENT (US\$m)</b>	2015	2016	2017F	2018F	2019F
Net income before tax	29.9	19.6	16.7	17.7	30.0
Depreciation & non cash adjustments	11.9	9.0	13.3	16.6	13.6
Change in Working Capital	26.2	(52.1)	26.2	(6.0)	(8.3)
Income Tax Paid	(4.6)	(1.7)	(6.3)	(1.6)	(1.6)
Interest Paid	(5.0)	(4.9)	(3.7)	(3.7)	0.0
<b>Cash flows from operating activities</b>	<b>58.4</b>	<b>(30.1)</b>	<b>46.1</b>	<b>23.2</b>	<b>33.7</b>
Purchase/Disposal of PPE	(17.5)	(22.2)	(15.0)	(10.0)	(10.0)
Other CFI	(18.5)	(15.9)	0.0	0.0	0.0
<b>Cash flows from investing activities</b>	<b>(36.1)</b>	<b>(38.1)</b>	<b>(15.0)</b>	<b>(10.0)</b>	<b>(10.0)</b>
Dividends Paid	(2.5)	(2.3)	0.0	0.0	0.0
Debt Raised / (Repaid)	(8.7)	46.8	(37.3)	(1.6)	5.5
Equity Raised / (Bought Back)	15.7	0.0	0.0	0.0	0.0
Other Cash from Financing	(8.7)	(1.4)	0.0	0.0	0.0
<b>Cash generated from financing activities</b>	<b>(4.1)</b>	<b>43.1</b>	<b>(37.3)</b>	<b>(1.6)</b>	<b>5.5</b>
Net increase in cash & cash equivalents	17.7	(24.9)	(6.2)	11.7	29.3
FX effects	(0.4)	0.2	0.0	0.0	0.0
Beginning Cash	22.8	40.5	15.6	9.4	21.1
<b>Ending Cash</b>	<b>43.5</b>	<b>15.6</b>	<b>9.4</b>	<b>21.1</b>	<b>50.4</b>



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<b>BUY</b>	>10% total return over the next 12 months
<b>HOLD</b>	-10% to +10% total return over the next 12 months
<b>SELL</b>	<-10% total return over the next 12 months

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