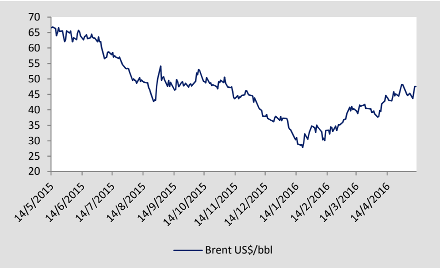
SECTOR UPDATE | Singapore

Offshore & Marine

Improving fundamentals in oil markets

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



Source: Bloomberg, KGI Fraser

We turn positive on the O&G industry as we believe that oil prices have bottomed out based on improving oil supply/demand dynamics. Although we still expect companies in the sector to report declining earnings in 2016, the stabilization of oil prices around the US$50-60 range may incentivize oil majors to begin ramping capex in 2017 to replenish dwindling reserves. We expect this to trigger an upwards rerating for the sector.

Time to accumulate on attractive risk/reward ratio. We have been bearish on the sector since 1Q15 but now with improving fundamentals, we believe stock valuations have bottomed. It is the time to accumulate quality oil companies, those that are trading at their 10-15 year lows. Oil prices have stabilized above US$40 recently despite the failure of the Doha talks in April 2016. We think the resilience shows that supply/demand dynamics has improved compared to late 2014 and early 2016, and could lead to a sustained recovery >US$50 by as early as 3Q16.

Strategy for 2016. First priority is to accumulate those that are trading at trough valuations yet with good visibility and healthy balance sheet like Triyards Holding (BUY TP $0.55). Other stocks whose valuations are also at multi-year lows but can survive this downturn include Pacific Radiance (BUY TP $0.40) and Nam Cheong (BUY TP $0.11). For the blue chips, entry price for Keppel Corp (HOLD TP $5.60) is around the S$5 levels.

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.

Upside catalysts and key risks. Upside catalysts include a sustained oil price above US$50 in 3Q16 and supply disruptions that may easily tilt the oil markets into deficit. For example, the recent strike in Kuwait cut the country's output by around 1.7 mb/d, which could have easily balanced the current oversupply of 1.5-2 mb/d. Furthermore, unscheduled supply outages in Nigeria, Ghana and Canada, and the ability of Venezuela to sustain production levels are adding to the list of supply side problems.

Key downside risk includes oil price staying lower for longer as high cost producers (e.g., US Shale, Deepwater) remain resilient and as oil companies cut capex further in 2017.

Key Takeaways:

- Upgrade Pacific Radiance to BUY (page 5)
- Upgrade Nam Cheong to BUY (page 8)
- Blue chips: accumulate Keppel Corp at S$5
- Oil price at US$50-60 by end 2016/early 2017 on improving supply/demand dynamics, in our view.
- We expect earnings to be weak in 2016 but have a more positive view on industry upside rerating catalyst from higher oil prices
- Risk/reward ratio now more favorable as companies trade at trough valuations and as oil prices bottomed out in 1Q16

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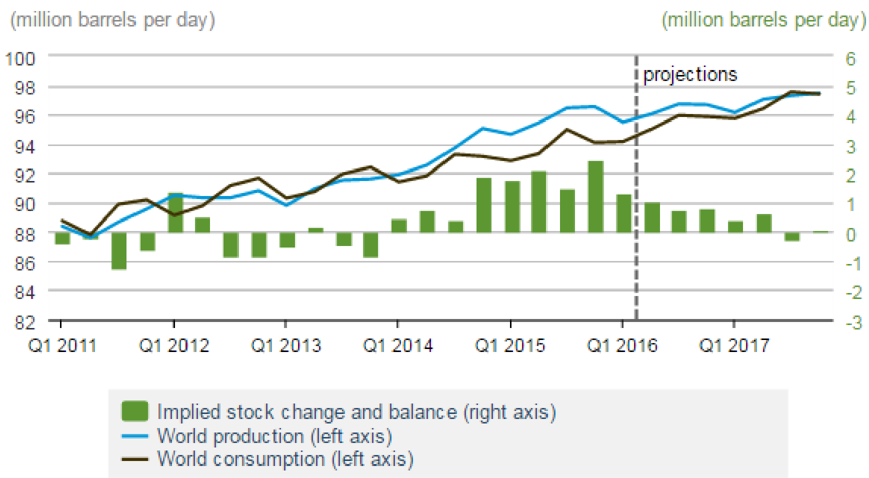
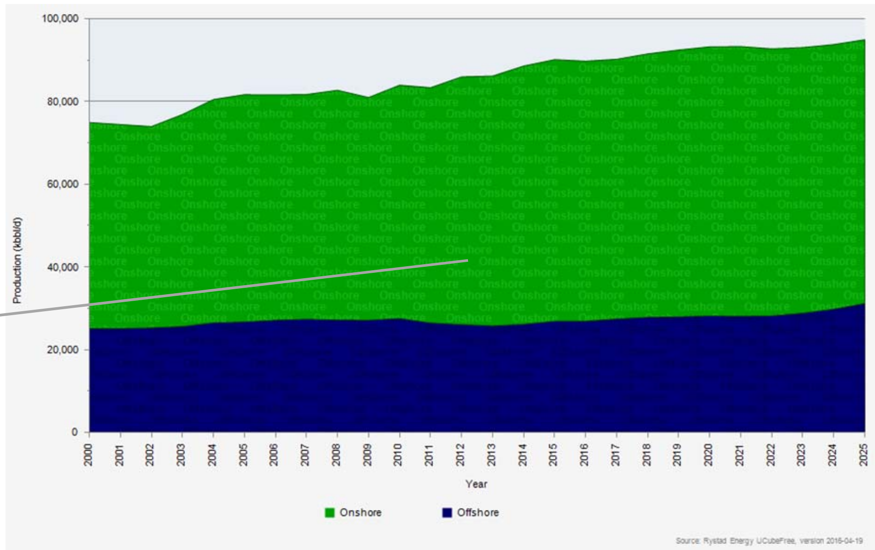
Oil oversupply to drop 50% by 2H16 driven by declining supply and growing demand. The oil oversupply situation is expected to improve by the second half of this year, according to data by both the US Energy Information Agency (EIA) and the International Energy Agency (IEA). Global oil inventory build is expected to decline by ~50% to around 1mb/d in 2H16 and 0.4mb/d in 2017, a healthy improvement compared to the inventory build which averaged 2.1mb/d in 2015. Although we can still expect an oversupplied oil market in 2016 and 1H17, the "move close to balance" in 2H16 as indicated by the IEA and any minor disruption to world oil supply may surprise oil prices going forward.

Figure 1: Improving oil markets going into 2H16.



Source: US EIA, Short-Term Energy Outlook, May 2016

Figure 2: Current cuts in capex unable to maintain required production growth

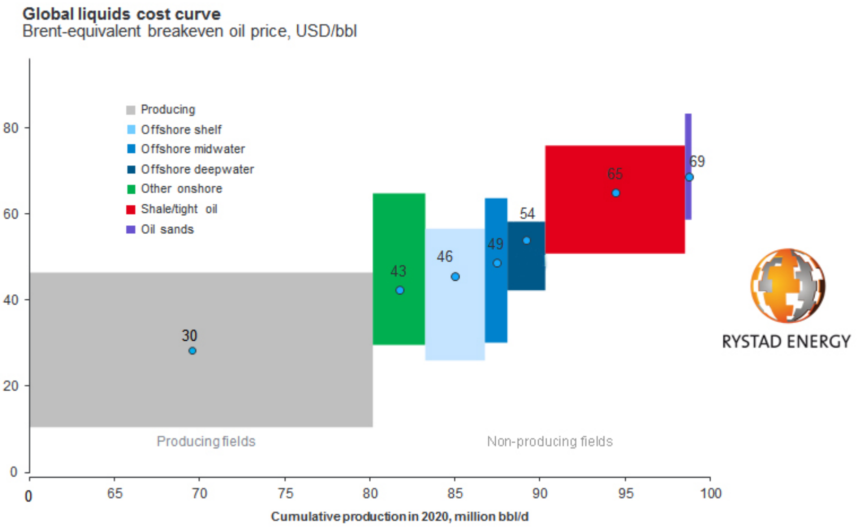


Growth in total world production will mainly come from onshore fields but capex will be required to maintain offshore production

Source: Rystad Energy

Marginal costs of production expected to average US$43-69. According to the analysis done by Rystad Energy (chart below), producing fields in 2020 are expected to have an average breakeven level of US$30 while non-producing shale and oil sands are the marginal sources of supply.

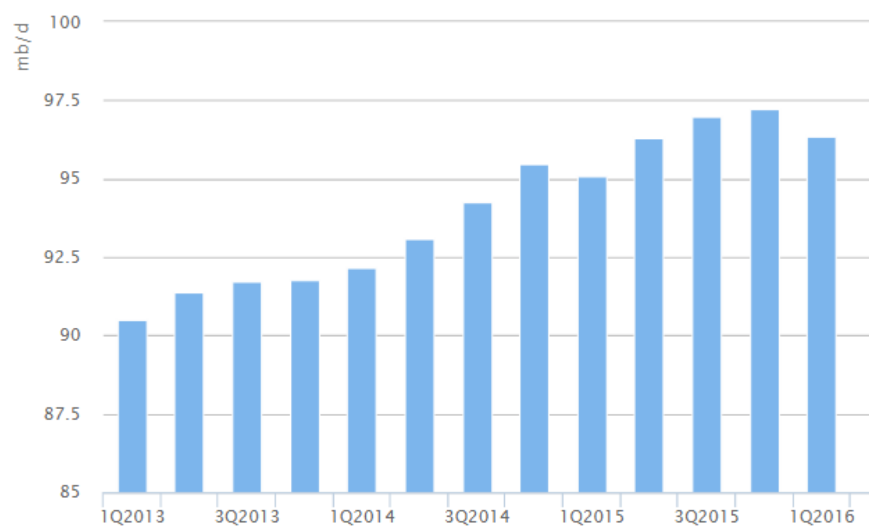
Figure 3: Cost curve for oil production



Source: Rystad Energy

Oil supply growth slowing down as non-OPEC producers cut back. World oil production increased by just 50 kb/d in April compared to the increase of more than 3.5 mb/d in the same period last year. Even with the increases from OPEC countries (mainly Iran and Iraq), non OPEC countries (notably US Shale) are seeing the drastic capex cuts and high decline rates affect production. IEA forecasts that non-OPEC supply to decline by 0.8 mb/d in 2016.

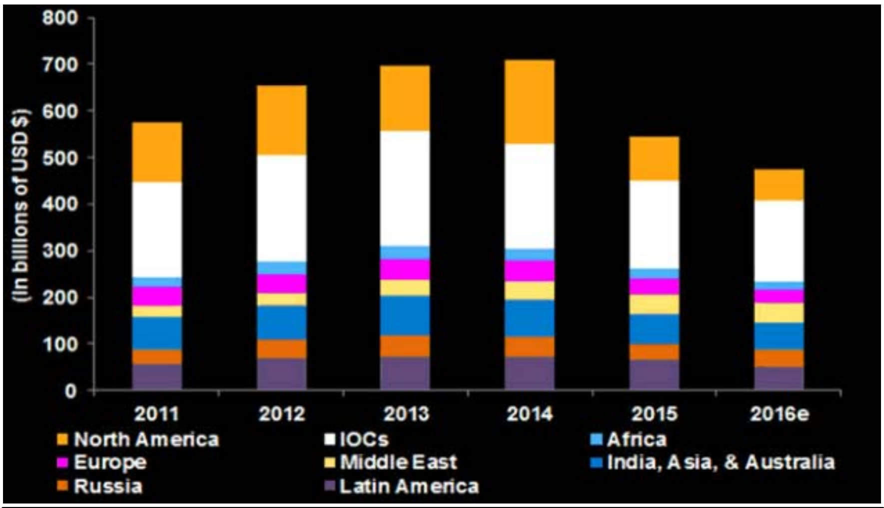
Figure 4: World oil supply growth slowing down as non-OPEC supply decline



Source: OECD, IEA

Oil companies can only cut capex for so long. Global E&P capex is set to decline 10-15% in 2016 after falling 23% in 2015, according to data by Bloomberg Intelligence. The depletion of existing reserves and the reduction in capex required to replace them is setting up a period of oil deficits in oil markets that will usher in the next oil boom.

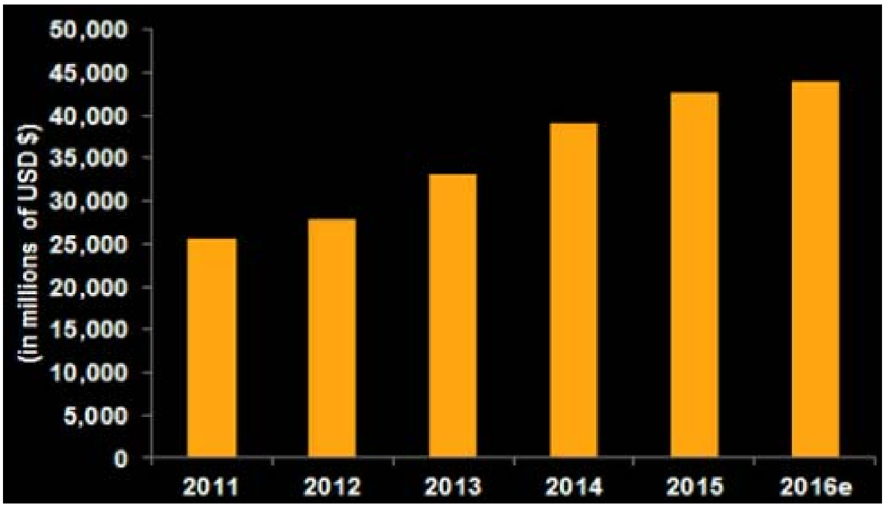
Figure 5: Global E&P Spending



Source: Bloomberg, Company data

Only the Middle East is the source of more work for O&G service companies, for now. From our discussions with Singapore based O&G companies, many of them are looking to diversify into the Middle East given the resilient capex in the region. Capex spending will mainly be dominated by Saudi Arabia as others including the United Arab Emirates, Kuwait and Iran look to increase production. Singapore companies like Atlantic Navigation and Vallianz already have strong presence in the Middle East.

Figure 6: Middle East E&P Capex still resilient given their lower breakeven costs



Source: Bloomberg, Company data

![KGI China Development Financial]

RESULTS UPDATE

Singapore

Pacific Radiance

(PACRA SP; PACI.SI)

Buy - Upgrade

Price as of 13 May 2016	0.29
12M target price (S$)	0.40
Previous target price (S$)	0.33
Upside (%)	37.2

Trading data

Market Cap (S$m)	211.2
Issued Shares (m)	715.8
Ave Daily Traded (3-Month) Vol / Val	0.8m / $0.3m
52 week lo / hi	$0.28 / $0.66
Free Float	21.6%

Major Shareholders

Pang Yoke Min	67.1%
Mok Weng Vai	6.5%

Previous Recommendations

Date	Rating	Share Price (S$)	Target Price (S$)
26-Feb-16	HOLD	0.300	0.330
13-Nov-15	HOLD	0.360	0.330
14-Aug-15	HOLD	0.380	0.400
14-May-15	HOLD	0.630	0.640
31-Mar-15	HOLD	0.660	0.640

PACRA SP (Blue) vs. FSSTI

Source: Bloomberg

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Recovery from the bottom

Upgrade to BUY on industry rerating catalyst. Although we adjust our FY16-18 earnings forecasts lower by 60-90% to take into account lower dayrates partially offset by better utilization rates, we raise our TP to S$0.40, pegged to 0.5x FY16 P/B (previously 0.4x FY16 P/B). We assign a higher P/B multiple compared to peers given that we still expect Pacific Radiance (PACRA) to generate positive ROEs going forward, while peers' Bloomberg consensus forecast are estimated to return negative ROEs. We are also turning more positive on improving oil markets fundamentals in 2H16.

Weak 1Q16 results but we expect improvements in 2H16. 1Q16 revenue declined 42% YoY to US$18.4m while it tipped into net loss of US$6.9m as gross profit margin was hit by weaker performance from both its Subsea and Offshore Support Vessel (OSV) services.

Improvement in utilization rates offset by weak day rates. PACRA's OSV utilization rates improved to mid 40% for 1Q16, compared to mid 30% in 4Q15. Subsea utilization rates were ~28% in 1Q16, similar to the previous quarter. Subsea utilization is expected to improve going into 2H16 as they secure both a combination of long term (3 years) and short term contracts (1 month), albeit at lower dayrates, which is not surprising in this kind of environment. Although this fall shorts of our expectations, we find this indicative of the tendering activity returning to the market.

Capex plans winding down; focus on cash flow management. PACRA has indicated that it has only 2 remaining vessels for delivery with a total outstanding capex of US$50m. No more significant capex is expected in 2017 onwards. PACRA is mainly focused on managing its cash flows, even as it recorded -US$15m operating cash flow in 1Q16. We may expect to see further expense reduction and better utilization lift operating cash flows to positive in 2H16.

Key risks to our view. Downside risks include oil prices staying below our estimated US$50-60 range due to resilient production from higher cost production. Another key risks include a prolonged imbalance in the OSV market that may further depress dayrates and utilization, which may result in companies writing down asset values.

Financials & Key Operating Statistics

YE Dec (US$ m)	2014	2015	2016F	2017F	2018F
Revenue	172.2	121.8	86.4	106.3	115.6
PATMI	68.3	3.8	1.2	8.1	9.4
Core PATMI	68.3	3.8	1.2	8.1	9.4
Core EPS	9.4	0.5	0.2	1.1	1.3
Core EPS grth (%)	-4.7	-94.4	-68.1	567.1	14.9
Core P/E (x)	2.2	39.7	124.6	18.7	16.2
DPS (SGCents)	3.0	1.0	1.0	1.5	1.5
Div Yield (%)	10.2	3.4	3.4	5.1	5.1
Net Margin (%)	39.7	3.1	1.4	7.7	8.1
Gearing (%)	52.5	85.5	79.7	81.7	83.2
Price / Book (x)	0.4	0.4	0.4	0.4	0.4
ROE (%)	15.8	0.9	0.3	2.0	2.3

Source: Company Data, KGI Fraser

Figure 1: Results comparison

FYE Dec (USDm)	1QFY16	1QFY15	*yoy % chg*	4QFY15	*qoq % chg*	Prev FY16F	Comments
Revenue	18.4	31.5	*(41.8)*	21.7	*(15.4)*	127.5	Lower than expected mainly due to lower dayrates. There was slight improvement of utilization rates QoQ: OSV (mid 40%) and subsea diving support vessels (~30%). 1Q16 OSV revenues declined 40% YoY and Subsea declined 61% YoY.
Operating costs	(22.5)	(27.2)	*(17.3)*	(24.8)	*(9.4)*	(104.3)	
EBITDA	2.9	11.8	*(75.5)*	0.8	*248.5*	47.4	
EBITDA margin (%)	*15.8%*	*37.4%*		*3.8%*		*37.2%*	Below expectations due to lower than expected gross profit margins.
Depn & amort.	(7.0)	(7.5)	*(5.6)*	(4.0)	*78.1*	(24.2)	
EBIT	(4.2)	4.3	*(195.9)*	(3.1)	*32.8*	23.2	
Interest expense	(3.3)	(2.8)	*16.9*	(2.9)	*11.2*	(10.6)	
Int & Inv income	-	-	*nm*	-	*nm*	2.6	
Associates' contrib	0.9	(0.1)	*839.5*	2.4	*(63.7)*	3.2	
Exceptionals	-	-	*nm*	-	*nm*	-	
Pretax profit	(6.5)	1.4	*(556.5)*	(3.6)	*79.8*	18.3	
Tax	(0.3)	(0.3)	*(0.9)*	0.8	*(140.7)*	(5.6)	
Tax rate (%)	*(0.1)*	*0.2*		*0.2*		*0.3*	
NCI	0.1	(0.2)	154.6	0.3	(60.9)	0.0	
Net profit	**(6.8)**	**0.9**	*(849.9)*	**(2.5)**	*167.0*	**12.7**	
Core profit	**(6.8)**	**0.9**	*(849.9)*	**(2.5)**	*167.0*	**12.7**	Below expectations mainly due to lower sales and gross profit margins.
EPS (USDcts)	(0.9)	0.1	*(849.9)*	(0.4)	*167.0*	1.8	
Core EPS (USDcts)	(0.9)	0.1	*(849.9)*	(0.4)	*167.0*	1.8	

Source: Company data, KGI Fraser

Figure 2: International OSV owners trading at trough valuations

	Bloomberg Ticker	Price (Lcl curr)	Mkt Cap (S$m)	P/E (x) (hist)	P/E (x) (fwd)	P/B (x)	ROE (%)	EV/EBITDA (x) (ttm)	EV/EBITDA (x) (fwd)	EV/EBITDA (x) (fwd 2 yrs)	Net Grng (%)	Dvd Yld (%)	BETA
INTERNATIONAL OSV OPERATORS													
Tidewater	TDW US	7.4	478	-	-	0.1	(4)	6.8	9.7	15.1	59.1	-	1.9
Bourbon SA	GBB FP	11.9	1,325	-	-	0.6	(5)	7.2	9.5	8.3	-	8.4	0.8
Hornbeck Offshore	HOS US	10.3	510	22.1	-	0.3	2	6.8	13.6	12.2	56.5	-	2.4
Gulfmark Offshore	GLF US	4.9	174	-	-	0.2	(39)	13.6	32.6	27.2	76.2	-	3.0
Farstad Shipping ASA	FAR NO	13.5	88	-	-	0.1	(40)	8.2	11.5	14.4	245.9	-	1.1
Solstad Offshore ASA	SOFF NO	14.7	95	-	6.3	0.1	(35)	8.3	9.7	11.2	295.8	-	0.9
SIMPLE AVERAGE				22.1	6.3	0.2	(20.2)	8.5	14.4	14.7	146.7	8.4	1.7

Source: Bloomberg, KGI Fraser

Summary of Financials

YE 31 Dec

INCOME STATEMENT (US$m)	2014	2015	2016F	2017F	2018F
Revenue	**172.2**	**121.8**	**86.4**	**106.3**	**115.6**
Cost of sales	(118.1)	(97.5)	(69.1)	(79.7)	(86.7)
Gross Profit	**54.2**	**24.3**	**17.3**	**26.6**	**28.9**
Other operating income/(expenses)	42.9	19.1	10.0	10.0	10.0
Selling and distribution	0.0	0.0	0.0	0.0	0.0
Admin	(30.3)	(23.9)	(21.6)	(21.3)	(23.1)
Profit from Operations	**64.9**	**14.8**	**5.7**	**15.3**	**15.8**
Finance income/(expenses)	(9.1)	(12.1)	(7.1)	(7.4)	(6.9)
Share of JV results	12.5	2.7	3.2	3.8	4.6
Exceptionals/Investment income	0.0	0.0	0.0	0.0	0.0
Profit before Tax	**68.3**	**5.3**	**1.8**	**11.7**	**13.5**
Income tax	1.1	(1.6)	(0.5)	(3.6)	(4.1)
Non-controlling interests	(1.1)	0.1	0.0	0.0	0.0
PATMI	**68.3**	**3.8**	**1.2**	**8.1**	**9.4**
PATMI Normalized	68.3	3.8	1.2	8.1	9.4

BALANCE SHEET (US$m)	2014	2015	2016F	2017F	2018F
Cash and cash equivalents	101.4	43.1	-91.4	-84.0	-102.5
Trade and other receivables	41.6	39.1	27.7	34.1	37.1
Inventory	3.3	0.9	0.7	0.8	0.8
Other current assets	55.1	83.4	0.0	0.0	0.0
Current Assets	**201.5**	**166.5**	**-63.0**	**-49.1**	**-64.6**
Property, plant and equipment	572.1	606.2	694.1	691.8	687.8
Other non-current assets	66.0	143.9	97.9	100.0	102.1
Non-current Assets	**638.0**	**750.1**	**791.9**	**791.8**	**789.9**
Total assets	**839.5**	**916.6**	**728.9**	**742.7**	**725.3**
Trade and other payables	56.0	71.1	50.4	58.1	63.2
Borrowings (current)	51.9	79.0	56.1	69.0	75.0
Other current liabilities	7.8	4.6	1.8	4.9	5.4
Current Liabilities	**115.7**	**154.8**	**108.3**	**132.0**	**143.7**
Borrowings (non-current)	276.2	319.8	181.5	178.6	155.4
Other non-current liabilities	15.8	26.1	26.1	26.1	26.1
Non-current liabilities	**292.0**	**345.9**	**207.6**	**204.7**	**181.5**
Shareholders equity	428.0	413.4	410.4	403.4	397.6
Non-controlling interests	4.0	2.6	2.6	2.6	2.6
Total Equity	**431.9**	**416.0**	**413.0**	**406.0**	**400.2**
Total Liabilities and Equity	**839.5**	**916.6**	**728.9**	**742.7**	**725.3**

CASH FLOW STATEMENT (US$m)	2014	2015	2016F	2017F	2018F
Net income before tax	68.3	5.3	1.8	11.7	13.5
Depreciation & non cash adjustments	(25.1)	15.4	148.5	12.0	12.9
Change in Working Capital	30.2	20.3	(9.0)	1.3	2.1
Income Tax Paid	(3.7)	(4.5)	(3.4)	(0.5)	(3.6)
Interest Paid	(7.5)	(12.1)	(7.2)	(7.5)	(7.0)
CF from operating activities	**62.2**	**24.4**	**130.7**	**17.0**	**18.0**
Purchase/Disposal of PPE	(207.1)	(161.6)	(114.2)	(24.7)	(24.5)
Other CFI	154.4	17.5	20.0	20.0	20.0
CF from investing activities	**(52.7)**	**(144.1)**	**(94.2)**	**(4.7)**	**(4.5)**
Dividends Paid	(11.4)	(17.9)	(10.1)	(15.2)	(15.2)
Debt Raised / (Repaid)	39.3	79.3	(161.2)	10.0	(17.2)
Equity Raised / (Bought Back)	0.0	0.0	0.0	0.0	0.0
Other Cash from Financing	0.1	(3.7)	0.0	0.0	0.0
CF from financing activities	**28.0**	**57.7**	**(171.4)**	**(5.1)**	**(32.3)**
Net increase in cash & cash equiv.	37.5	(61.8)	(134.5)	7.5	(18.5)
FX effects	0.0	0.3	0.3	0.3	0.3
Beginning Cash	64.9	102.3	40.6	(94.0)	(86.5)
Ending Cash	**102.3**	**43.1**	**(91.4)**	**(84.0)**	**(102.5)**

KGI CHINA DEVELOPMENT FINANCIAL

RESULTS UPDATE

Singapore

Nam Cheong

(NCL SP; NMCG.SI)

Buy - Upgrade

Price as of 13 May 2016	0.08
12M target price (S$)	0.11
Previous target price (S$)	0.07
Upside, incl div (%)	48.3

Trading data

Market Cap (S$m)	161.4
Issued Shares (m)	2,096.5
Ave Daily Traded (3-Month) Vol / Val	11.4m / $1.2m
52 week lo / hi	$0.07 / $0.34
Free Float	43.4%

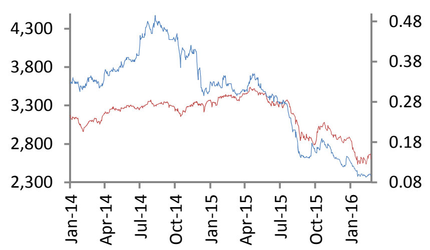
Major Shareholders

Datuk Tiong Su Kouk	50.3%

Previous Recommendations

Date	Rating	Share Price (S$)	Target Price (S$)
26-Feb-16	SELL	0.10	0.07
13-Nov-15	SELL	0.15	0.10
14-Aug-15	HOLD	0.21	0.19
15-May-15	SELL	0.32	0.26
31-Mar-15	SELL	0.31	0.27

NCL SP (Blue) vs. FSSTI



Source: Bloomberg

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Business model hit hard in current downturn but...

Upgrade to BUY as we expect order wins to pick up in 2017. We raise our TP to S$0.11, pegged to 0.5x FY16 P/B (previously 0.3x) as we turn more positive on oil prices going forward. Nam Cheong has hit our TP over the past year and we believe that as oil prices stabilize above US$50, oil and gas companies may have to begin ramping up capex and opex budgets in order to sustain oil production. As a result, Nam Cheong's business model which has been hit hard in the current downturn is well positioned to benefit from the recovery when spending comes back in 2017.

Weak recent quarter was mainly dragged by one-off items. Nam Cheong reported a net loss of RM40.1m in 1Q16 (compared to RM39m net profit in 1Q15), but was mainly due to reversal of revenues from the cancellation of an Accommodation Work Barge (AWB) and forex loss of RM36.9m. Forex loss resulted from the strengthening of SGD against USD as most of Nam Cheong's debt were denominated in SGD. We maintain our forecasts for now as the company may still be able to sell the cancelled AWB to another party in 2H16 or early next year.

Cancellation not as bad as it seems . We opine that the recent cancellation of the AWB by Perdana Petroleum Berhad (Perdana) may not be entirely bad news. Nam Cheong is entitled to keep the deposit of US$8.4m, which is around 20% of the total sales amount. Although the sale price to another party may be at least 10-20% lower given the weak markets, Nam Cheong can alternatively charter out the vessel to generate cash flows until markets improve.

Scaled down shipbuilding programme. Nam Cheong has already slashed its shipbuilding programme from an original 30 vessels this year to 9 vessels. 3 out of the 9 have been sold in 2016. 8 out of 14 have been sold for its 2017 shipbuilding programme.

Key risks. The cancelled AWB was the first of two AWBs that were sold to Perdana Petroleum Berhad, worth a total of US$84m. Although we think the risk is minimal of another cancellation, we are still mindful if oil markets do not improve by 2H16. Deferral of deliveries to 2017 may put pressure on its balance sheet this year (current net gearing at 1x).

Financials & Key Operating Statistics

YE Dec (RM m)	2014	2015	2016F	2017F	2018F
Revenue	1928.6	950.0	389.4	933.8	1014.3
PATMI	301.8	28.5	12.6	40.5	54.0
Core PATMI	301.8	28.5	12.6	40.5	54.0
Core EPS	14.4	1.4	0.6	1.9	2.6
Core EPS grth (%)	46.5	-90.6	-55.9	222.1	33.3
Core P/E (x)	1.6	16.4	37.2	11.6	8.7
DPS (SGCents)	1.5	0.0	0.0	0.5	0.5
Div Yield (%)	19.5	0.0	0.0	6.5	6.5
Net Margin (%)	15.6	3.0	3.2	4.3	5.3
Gearing (%)	41.8	94.6	77.6	82.0	70.3
Price / Book (x)	0.4	0.3	0.3	0.3	0.3
ROE (%)	24.7	2.1	0.9	2.9	3.8

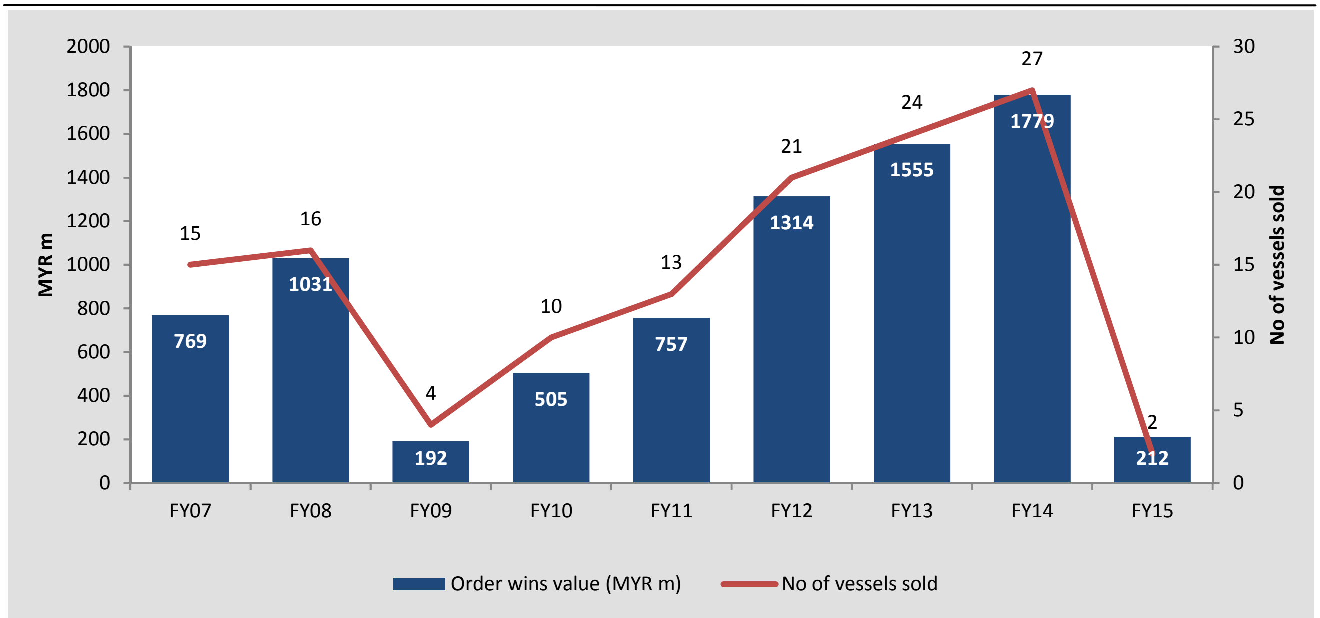
Source: Company Data, KGI Fraser

Figure 1: Results comparison

FYE Dec (RM m)	1QFY16	1QFY15	*yoy % chg*	4QFY15	*qoq % chg*	Prev FY16F	Comments
Revenue	(93.1)	326.3	*(128.5)*	241.8	*(138.5)*	656.2	1Q16 revenues of -RM93m, -129% YoY, mainly due to reversal of revenue from Perdana Petroleum Berhad's cancellation of an Accomodation Work Barge (AWB) and fewer vessels delivered in 1Q16 (1Q16: 1 unit; 1Q15: 6 units)
Operating costs	(41.6)	(21.9)	*90.2*	(22.8)	*82.4*	(51.1)	
EBITDA	(32.1)	50.8	*(163.2)*	12.1	*(366.5)*	53.8	
EBITDA margin (%)	*0.35*	*0.16*		*0.05*		*0.08*	
Depn & amort.	(5.3)	(4.4)	*20.6*	(4.9)	*7.6*	(19.7)	
EBIT	(37.4)	46.4	*(180.5)*	7.2	*(622.8)*	34.2	
Interest expense	(1.8)	(7.0)	*(74.8)*	(6.3)	*(72.1)*	(20.7)	Lower than expected. Finance cost decreased to RM1.8m vs RM7m in 1Q15 mainly from higher interest expense being capitalised in cost of construction.
Int & Inv income	-	-	*nm*	-	*nm*	3.5	
Associcates' contrib	(1.0)	(0.2)	*460.0*	(22.3)	*(95.6)*	2.5	Associates' losses of RM1.5m from lower vessel utilisation rate.
Exceptionals	-	-	*nm*	-	*nm*	-	
Pretax profit	(40.1)	39.3	*(202.0)*	(21.5)	*87.0*	19.4	
Tax	0.0	0.0	*(50.0)*	(0.8)	*100.2*	(1.9)	
Tax rate (%)	*0.0*	*(0.0)*		*(0.0)*		*0.1*	
NCI	(0.0)	(0.0)	*(3.6)*	0.8	*(103.3)*	0.0	
Net profit	**(40.1)**	**39.3**	*(202.0)*	**(22.3)**	*80.0*	**17.5**	
Core profit	**(46.9)**	**36.4**	*(228.6)*	**(19.7)**	*137.3*	**17.6**	Below expectations despit e stripping out revenue reversal and forex losses.
EPS (USDcts)	(1.9)	1.9	*(202.2)*	(1.0)	*87.0*	0.8	
Core EPS (USDcts)	(2.2)	1.7	*(228.6)*	(0.9)	*137.3*	0.8	

Source: Company data, KGI Fraser

Figure 2: FY15 was one of the weakest year on record, but expect a better 2017 when activity starts picking up



Source: Company data, KGI Fraser

Summary of Financials

YE 31 Dec

INCOME STATEMENT (RMm)	2014	2015	2016F	2017F	2018F
Revenue	**1,928.6**	**950.0**	**389.4**	**933.8**	**1,014.3**
Cost of sales	(1,550.1)	(800.0)	(338.7)	(812.4)	(872.3)
Gross Profit	**378.5**	**150.0**	**50.6**	**121.4**	**142.0**
Other operating income/(expenses)	20.0	18.1	14.5	11.6	9.3
Selling and distribution	0.0	0.0	0.0	0.0	0.0
Admin	(89.5)	(87.7)	(38.9)	(72.8)	(76.1)
Profit from Operations	**308.9**	**80.4**	**26.2**	**60.1**	**75.2**
Finance income/(expenses)	(16.0)	(24.2)	(14.7)	(16.5)	(16.9)
Share of JV results	10.3	(25.2)	2.5	1.3	1.5
Exceptionals/Investment income	0.0	0.0	0.0	0.0	0.0
Profit before Tax	**303.3**	**31.0**	**13.9**	**44.9**	**59.8**
Income tax	(1.1)	(3.0)	(1.4)	(4.4)	(5.9)
Non-controlling interests	(0.4)	0.6	0.0	0.0	0.0
PATMI	**301.8**	**28.5**	**12.6**	**40.5**	**54.0**
PATMI Normalized	301.8	28.5	12.6	40.5	54.0

BALANCE SHEET (RMm)	2014	2015	2016F	2017F	2018F
Cash and cash equivalents	800.1	506.1	283.9	346.5	520.4
Trade and other receivables	643.4	628.4	389.4	560.3	608.6
Inventory	1,040.7	1,827.8	1,625.9	1,624.9	1,482.9
Other current assets	164.9	231.9	231.9	231.9	231.9
Current Assets	**2,649.1**	**3,194.1**	**2,531.0**	**2,763.5**	**2,843.8**
Property, plant and equipment	282.2	449.9	449.9	449.9	449.9
Other non-current assets	321.1	306.9	326.9	346.9	366.9
Non-current Assets	**603.3**	**756.8**	**776.8**	**796.8**	**816.8**
Total assets	**3,252.4**	**3,950.9**	**3,307.8**	**3,560.3**	**3,660.6**
Trade and other payables	671.7	751.1	542.0	649.9	697.8
Borrowings (current)	556.2	628.0	311.5	840.4	912.9
Other current liabilities	47.9	9.3	9.2	12.3	13.7
Current Liabilities	**1,275.8**	**1,388.4**	**862.7**	**1,502.7**	**1,624.5**
Borrowings (non-current)	753.1	1,181.2	1,051.3	653.7	608.6
Other non-current liabilities	4.1	4.2	4.2	4.2	4.2
Non-current liabilities	**757.2**	**1,185.4**	**1,055.4**	**657.9**	**612.8**
Shareholders equity	1,218.8	1,377.1	1,389.7	1,399.8	1,423.4
Non-controlling interests	0.6	0.0	0.0	-0.1	-0.1
Total Equity	**1,219.3**	**1,377.1**	**1,389.7**	**1,399.8**	**1,423.3**
Total Liabilities and Equity	**3,252.4**	**3,950.9**	**3,307.8**	**3,560.3**	**3,660.6**

CASH FLOW STATEMENT (RMm)	2014	2015	2016F	2017F	2018F
Net income before tax	303.3	31.0	13.9	44.9	59.8
Depreciation & non cash adjustments	(233.7)	20.5	(4.8)	(27.4)	10.8
Change in Working Capital	(7.0)	(689.9)	235.3	(58.4)	145.1
Income Tax Paid	(1.6)	(1.1)	(1.5)	(1.4)	(4.4)
Interest Paid	0.0	(24.2)	(18.2)	(20.0)	(20.4)
CF from operating activities	**60.9**	**(564.6)**	**224.7**	**(62.2)**	**190.9**
Purchase/Disposal of PPE	(6.1)	(34.0)	(30.6)	(36.7)	(44.0)
Other CFI	(76.7)	17.1	(20.0)	(20.0)	(20.0)
CF from investing activities	**(82.8)**	**(16.9)**	**(50.6)**	**(56.7)**	**(64.0)**
Dividends Paid	(54.7)	0.0	0.0	0.0	(30.4)
Debt Raised / (Repaid)	517.0	324.5	(446.5)	131.4	27.3
Equity Raised / (Bought Back)	0.0	0.0	0.0	0.0	0.0
Other Cash from Financing	(12.0)	(151.1)	0.0	0.0	0.0
CF from financing activities	**450.3**	**173.4**	**(446.5)**	**131.4**	**(3.1)**
Net increase in cash & cash equiv.	441.1	(357.9)	(222.2)	62.6	173.9
FX effects	12.8	50.1	50.1	50.1	50.1
Beginning Cash	358.8	799.9	442.0	219.8	282.4
Ending Cash	**800.1**	**506.1**	**283.9**	**346.5**	**520.4**

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HOLD	-10% to +10% total return over the next 12 months
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