



InnoTek Limited

(INNOT SP/M14.SI)

A well-run ship weathers all storms

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- We initiate on InnoTek with an **OUTPERFORM** and Target Price of S\$0.73, based on 5.0x EV/EBITDA, a slight discount to SGX-listed manufacturing service companies.
- **Stable outlook, supported by Chinese demand.** InnoTek will see its businesses recover to near pre-pandemic levels, with a Chinese-driven tailwind for its automotive business.
- **Twin turnarounds.** Apart from the restructuring back in 2014/2015, InnoTek was able to manoeuvre around a weak COVID-induced 1Q20 performance and produce a resilient 2Q20 result that saw YoY performance improvement.
- We expect continued recovery in 2H20 and 2021, with catalysts to come from the eventual production ramp-up in Thailand and the kickstart of new automotive parts production by its partners.

Investment Thesis:

Restructuring efforts successful. Current management team has a 4 year (5 year if including 2020) record for profit-making, and generating free cash flow. InnoTek possesses a strong balance sheet with the ability to generate free cash flow and maintain current dividend rates. We expand on this in our company overview.

Diversified customer base, stable outlook. InnoTek possesses a wide, mainly Japanese customer base, with various established company names. COVID-19 had been a mixed bag for InnoTek as different product lines faced largely different outlooks. However, overall business did not fall off.

Resilient ship that weathers the storm. The company maintains a sustainable business, helmed by a CEO that is focused for the long term. InnoTek thus becomes an attractive investment opportunity in light of the continued profitability and free cash flow that they generate.

Forecasts. We expect revenues to rebound in FY21F, but stay below the S\$200mn mark unless InnoTek were to announce new projects in its pipeline. We forecast FY20/21/22F PATMI at -39%/+25%/+2.5% YoY, while FY20/21/22F EBITDA is +1.4%/+8.8%/-0.1% YoY as Right-of-Use depreciation and interest expenses climb.

Outperform (Initiation)

Price as of 11 Jan 21 (SGD)	0.63	Performance (Absolute)	
12M TP (\$)	0.73	1 Month (%)	17.4
Previous TP (\$)	na	3 Month (%)	43.2
Upside (%)	15.3	12 Month (%)	46.3
Trading data		Perf. vs STI Index (Red)	
Mkt Cap (\$mn)	146		
Issued Shares (mn)	229		
Vol - 3M Daily avg (mn)	0.4		
Val - 3M Daily avg (\$mn)	0.2		
Free Float (%)	52.0%		
Major Shareholders		Previous Recommendations	
Chandaria Trust 1	36.6%		
Lou Yiliang	11.4%		

Financials & Key Operating Statistics

YE Dec (\$\$m)	2018A	2019A	2020F	2021F	2022F
Revenue	218.3	186.7	179.7	185.6	188.2
Gross Profit	46.7	40.8	38.6	40.1	40.6
PATMI	20.2	16.7	10.2	12.8	13.1
Core EPS	0.09	0.07	0.04	0.05	0.06
Core EPS grth (%)	103.8	-18.1	-41.2	25.1	2.5
Core P/E (x)	7.0	8.6	14.6	11.6	11.4
DPS (SGCents)	1.5	1.5	1.5	1.5	1.5
Div Yield (%)	2.4	2.4	2.4	2.4	2.4
Gross Margin (%)	21.4	21.8	21.5	21.6	21.6
Net Margin (%)	9.3	8.9	5.7	6.9	7.0
Gearing (%)		net cash	net cash	net cash	net cash
Price / Book (x)	0.9	0.9	0.9	0.8	0.8
ROE (%)	13.5	10.4	6.1	7.2	7.0

Source: Company Data, KGI Research

Valuation & Action: We initiate with an **OUTPERFORM** and **TP of S\$0.73**, based on 5.0x 2021F EV/EBITDA, an 18% discount to SGX-listed manufacturing service companies. We think this peg is low enough to warrant privatisation by other manufacturing companies. Our EV/EBITDA peg translates to 13.5x 2021F P/E, in line with SGX peers.

Risks: Pricing pressures from competitors and customers, Forex risk, product obsolescence.

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Investment Thesis

Diversified customer base, stable outlook

We provide some color into InnoTek's 3 main industries (Office Automation, Automotive, TV/Display) to illustrate the future outlook for its metal component products. Our outlook summary is that InnoTek has maneuvered through these difficult times with minimal sales loss, and they trade at attractive valuations relative to its competitors.

Office Automation (OA)

Demand for OA products have been in a downtrend in 2019, and was further worsened in 2020 as COVID-19 led to a general reduction in corporate spending. Various long-term trends serve as tailwinds in the industry: 1) the overall shift toward digital and paperless work environments, 2) Printer-as-a-Service solutions that reduce the need for printer purchases, 3) the potential rise of co-working spaces which would likely introduce a shared printer service, cutting down on the need for multiple printers.

Comparing corporate/industrial printing against home printing demand, we think industrial printing has a slight edge in withstanding the fall in demand. The bulk of future demand for industrial printing solutions will come from the upgrade of existing office equipment, as well as new office builds. While Work-from-home demands have led to an uptick on home printer sales, the overall trend remains downwards, and will likely remain the case as COVID-19 subsides.

Competition in the space is also fairly fierce, and there is huge pressure on pricing power, as peers are easily able to replicate product moulds if printing OEMs choose to work with them. We think InnoTek's exit from Weihai in China was one such case where Eva Precision was chosen over InnoTek as Hewlett Packard's preferred supplier in that region after their acquisition of Samsung's printer business.

Overall, we expect the OA business to recover some of its lost business in mid-late 2021, but to stay below the S\$70 mn mark going forward, unless market conditions drastically improve and the company hits optimal production capacity at its Thailand plant. InnoTek management has also commented during the 24th Annual General Meeting (AGM) that the OA business is the worst hit during this pandemic. To combat the falling revenue trend, InnoTek's current strategy is to expand their value proposition to customers by taking over the parts assembly of printers. We think this could be a potential catalyst for the business, but do not factor in its potential impact given its uncertainty.

Figure 1: Office Automation outlook of key customers in 2019 and 2020

	FY18	FY19	FY20	YoY%	FY19	FY20	FY21	YoY%
Office Automation Outlook	Neutral-negative outlook				Negative outlook			
Ricoh (Bn yen, FY ends March. Source: 2Q19/20 results)								
Ricoh total printer-related sales forecast		1,292	1,271	-1.7%		1,214	976	-19.6%
Office printing sales forecast		1,086	1,057	-2.7%		1,013	809	-20.1%
Commercial printing sales forecast		185	188	1.7%		178	138	-22.7%
Industrial printing sales forecast		21	26	24.3%		23	29	25.2%
Canon (Bn yen. Source: 3Q19/20 results)								
Canon total sales forecast	3,952	3,625		-8.3%	3,593	3,140		-12.6%
Canon total printer-related sales forecast	1,807	1,699		-6.0%	1,752	1,431		-18.3%
Canon Multi-Function Device (MFD) printer sales forecast	684	649		-5.2%	646	513		-20.5%
Canon Laser Printer (LP) sales forecast	707	624		-11.7%	628	497		-20.9%
Canon Others printer sales forecast	417	427		2.4%	478	421		-11.9%
Epson (Bn yen. FY ends March. Source: 2Q19/20 results)								
Epson total sales forecast		1,090	1,060	-2.7%		1,044	960	-8.0%
Epson printer-related sales forecast		724	710	-1.9%		709	680	-4.0%
Epson [Inkjet+SIDM+Others] printer sales forecast		506	479	-5.3%		483	485	0.5%
Epson Professional Printing sales forecast		198	207	4.5%		198	178	-10.1%
Epson Others printing solutions sales forecast		20	21	6.6%		28	17	-39.7%
Fuji Xerox (Bn yen. FY ends March. Source: 2Q19/20 results)								
Fuji Xerox total sales forecast		1,006	1,000	-0.6%		958	895	-6.6%
Kyocera (Bn yen. FY ends March. Source: 2Q20/21 results)								
Kyocera total sales forecast		1,624	1,700	4.7%		1,599	1,500	-6.2%
Kyocera printer-related sales forecast		375	397	5.8%		360	313	-13.0%
Konica Minolta (Bn yen, FY ends March. Source: 2Q20/21 results)								
Konica Minolta total sales forecast		1,059	1,045	-1.3%		996	870	-12.7%
Konica Minolta printer-related sales forecast		816	780	-4.4%		759	645	-15.0%
Konica Minolta Office segment sales forecast		588	565	-3.9%		549	465	-15.3%
Konica Minolta Professional Print segment sales forecast		228	215	-5.6%		210	180	-14.3%

Source: Company reports, KGI Research

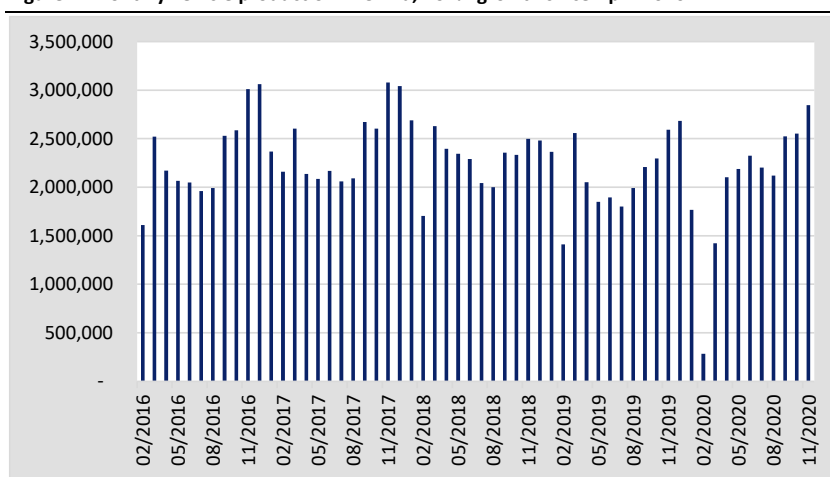
Note: Green numbers are forecasts made by the respective company

Automotive

The global automotive market was in a downcycle in 2019, and the COVID-19 pandemic prolonged the downcycle for most regions. Vehicle production is worse off outside of China, which saw a weak 1H20 but is mounting a strong recovery in the latter half of the year. 11M2020 vehicle production in China is now just -3% of 11M2019 production, according to China Association of Automobile Manufacturers.

Going forward, we expect 2021 to see improving numbers under the automotive segment for InnoTek, as InnoTek largely supplies to China’s automotive economy. This will be supported by new product launches of InnoTek’s customers, which have been delayed due to COVID-19 and economic slowdown. However, the era of peak car production in China was back in 2016/2017, and current vehicle production is now ~80% of peak car figures. InnoTek has to either offer improved value proposition to existing customers, or branch out and source for a new customer base in order to restore growth trends.

Figure 2: Monthly vehicle production in China, YoY% growth since April 2020



Source: China Association of Automobile Manufacturers, KGI Research

Figure 3: Vehicle production figures to recover in 4Q20; only China fairly unscathed; overall double digit lower production across the world

Vehicle production and sales volumes in the tire-replacement business

	Vehicle production				Replacement sales of tires			
	of passenger cars and light commercial vehicles		of medium and heavy commercial vehicles		for passenger cars and light commercial vehicles		for medium and heavy commercial vehicles	
	9M 2020	2020	9M 2020	2020	9M 2020	2020	9M 2020	2020
Europe	~ -30%	-23% to -24%	~ -35%	-25% to -26%	~ -16%	-12% to -13%	~ -5%	-4% to -5%
North America	~ -26%	-20% to -21%	~ -46%	-40% to -41%	~ -13%	-11% to -12%	~ -5%	-4% to -5%
China	~ -9%	-7% to -8%	~ 33%	19% to 21%	~ -8%	-5% to -6%	n. a.	n. a.
Worldwide	~ -23%	-18% to -19%	~ -12%	-11% to -13%	~ -15%	-12% to -13%	n. a.	n. a.

Source: Vehicle production: IHS Inc. (Europe with Western, Central and Eastern Europe incl. Russia and Turkey). Preliminary figures for 9M 2020 and own estimates for 2020.

Source: IHS, Continental

Figure 4: Automotive outlook of key customers in 2019 and 2020

	FY18	FY19	FY20	YoY%	FY19	FY20	FY21	YoY%
Automotive	Slightly negative from trade war				Largely negative except China			
Continental (Mn euro. Source: 3Q19/20 results)								
Continental total auto-related sales forecast (FY18 vs FY19 vs FY20F)	26,840	26,000		-3.1%	26,504	22,000		-17.0%
Chassis & Safety sales (9M18 vs 9M19 vs 9M20)	7,214	7,033		-2.5%	7,033	5,304		-24.6%
Powertrain sales (9M18 vs 9M19 vs 9M20)	5,824	5,893		1.2%	5,893	4,869		-17.4%
Interior/Vehicle Networking and Information sales (9M18 vs 9M19 vs 9M20)	7,293	7,278		-0.2%	7,278	5,579		-23.3%
ZF (Mn euro. Source: 1H19 results)								
ZF total auto-related sales forecast (FY18 vs FY19 vs FY20F)	36,929	36,000		-2.5%	36,500	<36,500		n.m.
Chassis sales (1H18 vs 1H19 vs 1H20)	3,998	3,788		-5.3%	3,788	2,914		-23.1%
Powertrain sales (1H18 vs 1H19 vs 1H20)	3,876	3,697		-4.6%	3,697	2,631		-28.8%
Active Safety Systems sales (1H18 vs 1H19 vs 1H20)	3,351	3,207		-4.3%	3,207	2,014		-37.2%
Passive Safety Systems sales (1H18 vs 1H19 vs 1H20)	2,079	2,181		4.9%	2,181	1,500		-31.2%
Imasen (Bn yen. FY ends March. Source: Bloomberg)								
Imasen total auto-related sales (FY18 vs FY19 vs FY20)	117	119		1.1%	119	112		-5.5%
Imasen total auto-related sales (Sep18, 1H19 vs Sep19, 1H20 vs Sep20, 1H21)		60	56	-5.5%	56	36		-35.6%
Bosch (Mn euro. Source: FY18 AR)					77,721	76,000		-2.2%
Bosch total auto-related sales	47,567	46,784		-1.6%	46,784	n.a.		
U-shin (Bn yen. FY ends March. Source: Minebea Mitsumi 2Q20/21 results)								
U-shin total sales forecast	169	149	131	-11.8%	149	125	98	-21.7%

Source: Company reports, KGI Research

Note: Green numbers are forecasts made by the company

TV/Display

InnoTek produces various metal products for their TV/Display customers, such as the TV back panel, TV bracket and TV bezel. The current market trend is towards larger TVs such as 65/75/85 inch, and COVID-19 led to a decent demand boost for >55 inch TVs. In the AGM, management commented that TV/Display demand is expected to weaken, which we attribute to the interest in plastic bezels, narrow bezels or bezel-less TV designs.

InnoTek saw revenues from TV/Display segment dip S\$20mn from FY18 to FY19 due to the end of orders for commercial display and heat sink projects. We expect sales to stabilise in the S\$54-60mn region until InnoTek secures new orders and projects.

Figure 5: TV/Display outlook of key customers in 2019 and 2020

	FY18	FY19	FY20	YoY%	FY19	FY20	FY21	YoY%
TV/Display	Neutral-Negative				Neutral			
Sony (Bn yen. FY ends March. Source: 20-F)								
Sony Electronic Products & Solutions sales	2,583	2,303		-10.8%	2,303	1,970	1,870	-5.1%
Sony Television sales (FY18 vs FY19 vs FY20)	862	788		-8.5%	788	647	n.a.	-18.0%
Sony Television sales (1H19 vs 1H20 vs 1H21)		192	166	-13.2%		166	205	22.9%
Sony Audio & Video sales (FY18 vs FY19 vs FY20)	357	363		1.5%	363	346	n.a.	-4.6%
InnoLux (Mn TWD. Source: 3Q19/20 results)								
InnoLux TV-related sales (9M18 vs 9M19 vs 9M20)	207,133	186,394		-10.0%	186,394	191,843		2.9%
Konka (Mn RMB. Source: 3Q19/20 results, Bloomberg)								
Konka total sales (9M18 vs 9M19 vs 9M20)	29,762	41,681		40.0%	41,681	29,801		-28.5%
Konka TV-related sales (1H18 vs 1H19 vs 1H20)	14,972	18,394		22.9%	18,394	12,785		-30.5%
Konka Television sales (1H18 vs 1H19 vs 1H20)	4,963	3,845		-22.5%	3,845	3,218		-16.3%
Konka TV Manufacturing raw material sales (1H18 vs 1H19 vs 1H20)	10,009	14,549		45.4%	14,549	9,566		-34.2%
Skyworth (Mn HKD. Source: Bloomberg)								
Skyworth total sales	46,260	42,289		-8.6%				
Skyworth TV-related sales (FY18 vs FY19)	17,725	19,865		12.1%				
Skyworth smart TV systems sales volume ('000) (9M19 vs 9M20)					11,284	12,056		6.8%

Source: Company reports, KGI Research

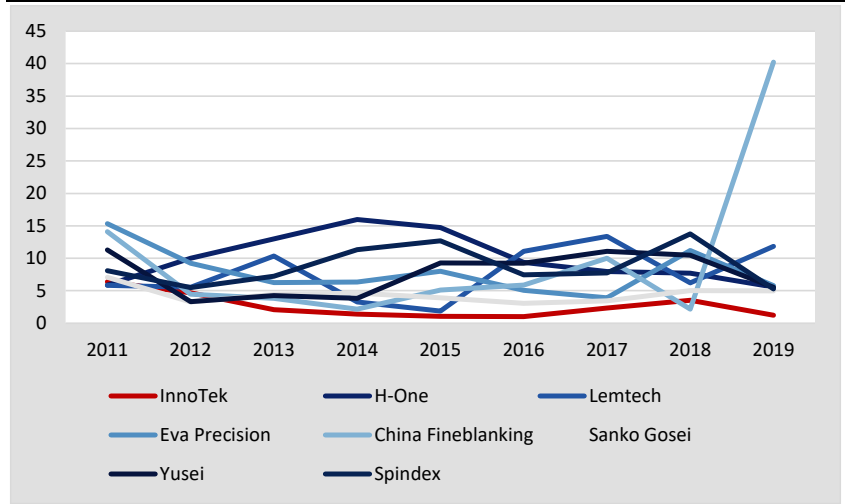
Note: Green numbers are forecasts made by the company

Resilient business that can weather the storm

It has been two straight difficult years for manufacturing companies: In 2019, trade tensions has delayed business investments and consumer spending, leading to inventory build-ups at equipment makers, the customers of these manufacturing service companies like InnoTek. Meanwhile in 2020, COVID-19 further weakened the business environment, disrupting supply chains and creating yet another cautious year for business investment. We find InnoTek's alternative approach to possibly benefit the business in such turbulent times.

Amongst manufacturing companies, InnoTek possesses one of the strongest balance sheets. While manufacturing companies are known to be capital intensive, InnoTek has maintained one of the lowest Capex/Sales ratio, minimising fixed costs. InnoTek is thus able to maximise free cash flow production, leading to its strong balance sheet of ~S\$73mn net cash (including its securities investment), which is 49% of its market value. Additionally, the company has been able to efficiently downsize, converting extra property space into leasing areas and reducing effective rent costs.

Figure 6: Capex/Sales ratio of InnoTek and peers



Source: Bloomberg, KGI Research

Valuation

InnoTek's share price has more than quadrupled from the trough of S\$0.13 in Q1 2016. However, the stock continues to trade at ranges below its SGX-listed peers and other manufacturers in Asian stock exchanges. We arrived at our target price of S\$0.73 based on a 2021F EV/EBITDA of 5.0x. We took the following assumptions for our valuation:

Financial attributes

Revenues:

We estimate our revenue build based off the three industry divisions. We expect a mild uplift to sales in the TV/Display segment, a slightly stronger sales rebound in the automotive segment led by China, and a slight rebound in Office Automation sales in 2021 after the -11% estimated YoY sales fall in 2020. Overall, we expect growth to be fairly limited unless new projects are taken on by InnoTek, in which the significant sales boost can bring them back above S\$200mn of total revenue.

Figure 7: Key assumptions for revenues

Drivers	2016A	2017A	2018A	2019A	2020F	2021F	2022F	2023F
TV & Display	79,670	78,790	74,222	54,149	54,691	54,964	54,964	54,964
yoy(%)		-1.1%	-5.8%	-27.0%	1.0%	0.5%	0.0%	0.0%
Automotive	58,138	59,625	67,673	57,884	58,173	60,500	61,710	62,944
yoy(%)		2.6%	13.5%	-14.5%	0.5%	4.0%	2.0%	2.0%
Office Automation	94,743	68,143	69,856	69,087	61,487	64,562	65,853	67,170
yoy(%)		-28.1%	2.5%	-1.1%	-11.0%	5.0%	2.0%	2.0%
Others	6,460	6,388	6,549	5,602	5,392	5,568	5,645	5,724
yoy(%)		-1.1%	2.5%	-14.5%	-3.7%	3.3%	1.4%	1.4%
Total Revenue	239,011	212,946	218,299	186,721	179,743	185,593	188,172	190,802
yoy(%)		-10.9%	2.5%	-14.5%	-3.7%	3.3%	1.4%	1.4%

Source: KGI Research

Operating Statistics:

We expect InnoTek to maintain 21+% gross margins going forward, while SG&A expenses stay below 15% of sales. While rental and dividend income fell in 2020 due to COVID-19, we expect a recovery in 2021, contributing S\$3.2mn in recurring income. Tax rates have picked up in 1H20 due to the expiry of a tax concession scheme for a subsidiary, which will lead to a pick-up in tax rates. We model Capex at maintenance levels, thus we expect InnoTek to maintain ~S\$15mn of free cash flow each year. We also expect InnoTek to maintain 1.5 Scts of dividends per share, which implies ~2.4% dividend yield based on InnoTek's Friday close of S\$0.63.

Figure 8: Key operating metrics for InnoTek

Key operating metrics	2016A	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Revenue growth (QoQ)								
Revenue growth (YoY)	-7.9%	-0.8%	2.5%	-14.5%	-3.7%	3.3%	1.4%	1.4%
PATMI growth (%)	-171.0%	-14.7%	105.0%	-17.7%	-38.6%	25.1%	2.5%	3.2%
Gross margins (%)	19.1%	18.3%	21.4%	21.8%	21.5%	21.6%	21.6%	21.6%
EBITDA margins (%)	7.9%	8.1%	9.9%	10.2%	10.8%	11.3%	11.2%	11.0%
EBIT margins (%)	5.2%	5.8%	7.7%	7.1%	5.9%	6.8%	6.8%	6.8%
PATMI margin (%)	5.4%	4.6%	9.3%	8.9%	5.7%	6.9%	7.0%	7.1%
ROE (%)	9.3%	7.4%	13.5%	10.4%	6.1%	7.2%	7.0%	6.9%
ROA (%)	6.0%	4.7%	9.1%	6.8%	4.2%	5.1%	5.0%	5.1%
Shares outstanding ('000)	223,835	224,006	225,303	226,305	236,305	236,305	236,305	236,305
Earnings per share (Scts)	5.169	4.407	8.983	7.361	4.327	5.413	5.548	5.728
Dividend per share (Scts)	0.500	1.000	1.500	1.500	1.500	1.500	1.500	1.500
Div yield (%)	0.8%	1.6%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Free Cash Flow to Firm	7,302	1,692	9,623	15,374	18,557	15,418	15,528	14,885

Source: KGI Research

Valuation: Comparable companies

We think there is no direct comparable company with InnoTek, as metal stamping manufacturers either tend to produce different product components or may not be in the same industries that InnoTek is exposed to. We selected our peer list based on market cap similarities amongst precision engineering companies with similar product components.

Figure 9: Peer comparison table for valuations (to key in InnoTek's valuation after I am ready to submit)

Company Name	BBG Ticker	Price (local curr.)	Market Cap (\$\$ Mn)	P/E (x)			P/B (x)	3y EPS CAGR (%)	EV/EBITDA (x)		Div Yield (%)	YTD Price Performance (%)	1y Price Performance (%)	Share Price Performance since COVID trough (23 Mar 20) (%)
				Current	FY20	FY21			Current	TTM				
INNOTEK LTD	INNOT SP	SGD 0.65	148	11.5	14.6	11.6	0.9	32%	5.0	3.9	2.33	12.2	38.5	85.3
SGX-listed Diversified Manufacturers (Average)				14.4	14.8	13.8	1.6		8.1	6.1	2.7	5.7	23.1	84.3
VENTURE CORP LTD	VMSP SP	SGD 20.08	5824	18.5	19.2	16.1	2.3	41%	13.4	11.1	2.49	3.4	20.6	58.9
HI-P INTERNATIONAL LTD	HIP SP	SGD 2.00	1615	20.2	20.0	16.3	2.6	37%	7.6	7.0	1.40	-0.5	25.9	176.4
GP INDUSTRIES LTD	GPI SP	SGD 0.54	261	4.9	-	-	0.7	1%	12.5	-	-	3.8	-10.7	17.4
FRENCKEN GROUP LTD	FRKN SP	SGD 1.31	559	13.4	13.5	11.9	1.8	35%	6.7	6.0	2.29	-0.8	39.5	148.1
VALUETRONICS HOLDINGS LTD	VALUE SP	SGD 0.61	263	-	9.4	14.9	1.2	29%	-	2.0	-	2.5	-25.8	31.5
FU YU CORP LTD	FUYU SP	SGD 0.27	200	13.3	13.9	12.0	1.2	6%	4.1	3.3	6.04	0.0	5.9	42.9
SPINDEX INDUSTRIES LTD	SPE SP	SGD 0.95	109	8.9	-	-	0.9	18%	2.6	-	-	-0.5	-5.5	3.8
ISDN HOLDINGS LTD	ISDN SP	SGD 0.58	250	22.3	13.1	11.5	1.5	38%	8.9	7.0	-	42.0	156.8	255.3
CEI LTD	CEI SP	SGD 0.99	86	13.4	-	-	2.2	-8%	9.3	-	1.45	1.0	1.0	24.5
<i>Updated on 10 January 2021</i>														
SGX-listed Diversified Manufacturers under 250 mn Market Cap (Average)				19.7	13.5	11.8	1.2		5.6	6.4	41.76	10.1	11.6	60.4
FU YU CORP LTD	FUYU SP	SGD 0.27	200	13.3	13.9	12.0	1.2	6%	4.1	3.3	6.04	0.0	5.9	42.9
SPINDEX INDUSTRIES LTD	SPE SP	SGD 0.95	109	8.9	-	-	0.9	18%	2.6	-	-	-0.5	-5.5	3.8
ISDN HOLDINGS LTD	ISDN SP	SGD 0.58	250	22.3	13.1	11.5	1.5	38%	8.9	7.0	-	42.0	156.8	255.3
CEI LTD	CEI SP	SGD 0.99	86	13.4	-	-	2.2	-8%	9.3	-	1.45	1.0	1.0	24.5
GRAND VENTURE TECHNOLOGY LTD	GVTL SP	SGD 0.41	95	30.2	-	-	3.0	518%	11.9	9.0	-	22.7	50.0	102.5
SUNRIGHT LTD	SUNR SP	SGD 0.44	54	32.1	-	-	0.6	124%	0.9	-	-	7.3	-18.5	49.2
MANUFACTURING INTEGRATION TE	MIT SP	SGD 0.08	18	-	-	-	0.9	4%	-	-	201.30	-2.5	-10.5	-2.5
ASTI HOLDINGS LTD	ASTI SP	SGD 0.03	21	17.9	-	-	0.3	382%	-	-	0.00	10.7	-40.0	50.0
GLOBAL TESTING CORP LTD	GTC SP	SGD 0.34	12	-	-	-	0.3	-	1.1	-	0.00	9.8	-35.0	17.5
Closest Peers (Average)				22.6	37.8	12.0	1.3		7.5	3.7	0.8	13.7	11.2	54.1
H-ONE CO LTD	5989 JP	JPY 853.00	309	-	47.9	6.1	0.4	62%	5.0	3.7	-	2.9	3.4	93.0
LEMTECH HOLDINGS CO LTD	4912 TT	TWD 131.00	315	15.8	-	-	3.0	138%	8.5	-	-	19.6	24.2	117.6
EVA PRECISION INDUSTRIAL HLD	838 HK	HKD 0.89	262	-	-	-	0.6	29%	9.5	-	0.28	41.3	32.8	54.0
CHINA FINEBLANKING TECHNOLOG	1586 TT	TWD 50.50	201	36.0	27.7	17.9	2.8	-	15.0	-	-	18.3	32.0	43.2
SANKO GOSEI LTD	7888 JP	JPY 399.00	156	-	-	-	0.7	25%	5.3	-	-	10.8	3.4	64.9
YUSEI HOLDINGS LTD	96 HK	HKD 1.14	125	29.4	-	-	0.9	18%	6.7	-	1.36	3.6	-11.5	2.0
SPINDEX INDUSTRIES LTD	SPE SP	SGD 0.95	109	8.9	-	-	0.9	18%	2.6	-	-	-0.5	-5.5	3.8

Source: Bloomberg, KGI Research

We value InnoTek at 5.0x EV/FY21 EBITDA, an 18% discount to SGX-listed manufacturing peers which trade around 6.0x. Despite InnoTek's recent share price rise, we think InnoTek is still cheaply valued, as the company is able to generate strong free cash flow while being in a weak business environment. We see Hi-P's recent privatization at 7.0x EV/consensus FY21F EBITDA as a blue-sky scenario for InnoTek, albeit being less likely as management and the board currently do not hold a large majority stake in the company.

Key Risks

Given the homogeneity of the manufacturing process, we think InnoTek's business will continue to be susceptible to pricing pressures from peers, which limits the gross margin upside that InnoTek can conceivably earn in the future.

InnoTek also faces the constant threat of product obsolescence of its metal bezels in the TV industry, where alternative designs and products are gaining in popularity. InnoTek's strategy has been to diversify into production of other TV parts such as heat sinks and back panels, but the lack of consistent project income from the alternative projects remains an issue, as the company is still below prior production levels.

Company Overview

InnoTek began as Magnecomp Corporation back in 1984, which was a hard disk drive (HDD) component manufacturer, doing suspension assembly technology. The company acquired Mansfield Manufacturing Company Limited (MSF), a Hong Kong manufacturing company in the metal stamping, tools and die fabrication business. Magnecomp was then listed on SGX in 1998.

In 2005, Magnecomp acquired K.R. Precision (KRP) to form Magnecomp Precision Technology (MPT). This business was subsequently divested in 2007 to TDK Corporation of Japan, and the company took on the name InnoTek Limited.

Today, through MSF, InnoTek Limited is a precision metals component manufacturer serving the consumer electronics, office automation and automotive industries. The company continues to do metal stamping, commercial tool, die fabrications and sub-assembly works to a strong and diversified base of Japanese and European end-customers.

Understanding InnoTek's restructuring efforts

While the continued profitability record of InnoTek under Mr Lou and the new management team speaks for itself, we attempt to provide more background information into the string of implementations that led to today's results. We structure our analysis into two parts: corporate governance, and operational management.

Corporate Governance – Key Management Changes

From 2008 to 2014, the board created an Executive Committee (EXCO) after the departure of Mr Steven Campbell. The EXCO played the role of a CEO for the company. However, from January 2010 to May 2014, Mr Yong Kok Hoon took up the position of Managing Director, which was similar in terms of responsibilities to a CEO. Given the poor performance during the 2011 – 2014 period, the head honcho position was subsequently taken by Mr Peter Tan for a 1-year interim period, as InnoTek plunged into a S\$28mn loss for 2014. In November 2015, the Chandaria family, whom are the largest shareholders of InnoTek, decided to take action by bringing in Mr Lou. The EXCO was subsequently dissolved, and Mr Lou officially took on the CEO title on 1 March 2017. Mr Lou also brought in various Japanese and Chinese management staff in order to better cater to their existing Japanese customer base, while also being more in sync with their Chinese manufacturing operations.

Corporate Governance - Remuneration

One key point to note would be the change of the Monetary Authority of Singapore's (MAS) Code of Corporate Governance from the 2005 to 2012 edition. On 2 May 2012, MAS revised the Code of Corporate Governance, which, among other things, recommends that 1) the independence of directors be rigorously reviewed, if they have served the board beyond nine years, 2) the disclosure of the full remuneration of each individual director and 3) the disclosure of the aggregated total salary of top 5 key management personnel.

We provided remuneration data for most key management personnel from 2010 onwards, mainly retrieved from Principle 8 or 9 of the Corporate Governance section from the annual reports. The "Related Party Transactions" section of the financial statements provided additional disclosures on key management personnel compensation, which helps to fill in the knowledge gaps from Principle 9. Based on this, we think that key personnel salaries under new management, while currently picking up in 2019, are more justifiable than salary levels in the 2011 – 2014 period, where the company made more than S\$40mn in losses over the 4 year timeframe.

We also found 2018's year-on-year reduced salary compensation to be unique, given that 2018 had higher YoY sales and a strong net profit performance that InnoTek has not seen since 2007. A bulk of this shortfall can be attributed to Mr Lou's ~S\$155k reduction in total compensation, which are reduced through his non-salary compensation portion. While we cannot be sure about how Mr Lou's non-salary remuneration is structured, we think this reduction, coupled with Mr Lou's purchase of Gazelle Capital's 14mn stake in July 2018, is sufficient basis to claim that Mr Lou does not just talks the talk, but walks the walk.

Corporate Governance – Inclusion into SGX Fast Track listing since 2018

Additionally, we find that InnoTek's inclusion into the SGX Fast Track list provides an additional layer of assurance to investors whom may still be worried about corporate governance matters. The SGX Fast Track programme was launched by the Singapore Exchange Regulation (SGX RegCo) in April 2018, and rewards companies with good corporate governance standards through priority clearance for corporate actions. InnoTek was an incumbent member since the beginning, 1 of 94 (as of writing) members on the list.

Figure 10: Key management changes and remuneration details

Name	Presence	Key position	Secondary position(s)	Management Period	Years in position	Years in company*	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Board + All Key Mgmt Personnel (related party transactions)							4,650,000	4,016,000	3,272,000	3,474,000	2,598,000	2,630,000	3,730,000	4,813,000	4,769,000	4,896,000	
Board + 5 Key Personnel (Principle 9)							NA	NA	NA	2,398,993	1,891,498	1,274,520	2,340,786	2,659,910	2,176,069	2,918,604	
Board of Directors																	
Total Board salary							NA	NA	NA	927,037	1,030,483	455,276	1,004,110	1,100,480	948,816	1,199,291	
Neal Menial Chandania	Current	Chairman, Board of Directors	Director, non-executive, non-independent	Nov 15 - Current	3.6	5.1				7,397	54,180	74,102	83,000	83,000			
Lou Yilang	Current	CEO of InnoTek	Director, executive, non-independent	Nov 15 - Current	3.8	5.1				80,000	643,367	777,362	621,816	872,291			
Steven Chong Teck Sin	Current	Chairman, Audit & Risk mgmt committee	Director, non-executive, independent	Apr 13 - Current	7.6	8.3			<250k	69,505	76,643	69,371	71,311	70,000	80,000		
Sunny Wong Fook Choy	Current	Chairman, Remuneration committee	Director, non-executive, independent	Nov 14 - Current	6.1	6.1				7,286	62,518	64,311	63,000	73,000	73,000		
Teruo Kiriama	Current	Chairman, Nominating Committee	Director, non-executive, independent	Nov 15 - Current	5.1	5.1					10,355	83,378	89,411	91,000	91,000		
Robert Sebastiaan Lette	Past	Chairman, Board of Directors	Director, non-executive, non-independent*	Nov 04 - Apr 17	12.5	15.0			<250k	<250k	126,000	87,780	71,027	73,820	26,605		
		Executive Director, subsequently Chairman of executive committee	Director, non-executive*, non-independent**														
Peter Tan Boon Heng	Past	Managing Director, Executive Director	Director, non-executive, independent	May 14 - Mar 16	1.9	7.5	<250k	<250k	<250k	116,000	405,438	154,608	13,743				
Yong Kok Hoon	Past	Managing Director, Executive Director	CFO (1999-2010), executive committee	Oct 09 - May 14	4.4	14.6	750k - 1mn	500k - 750k	500k - 750k	591,081	453,336						
Low Teck Seng	Past	Chairman, Audit committee	Director, non-executive, independent	Mar 04 - Apr 13	9.2	9.2	<250k	<250k	<250k	24,451							
Senior/Key Management																	
Total Key Mgmt salary							NA	NA	NA	1,471,956	861,015	819,244	1,336,676	1,559,430	1,227,253	1,719,313	
Okura Ippai	Current	Director, Mansfield Group, Group Sales	Director, Mansfield Group	Dec 15 - Current	5.0	6.0						50k - 100k	200k - 250k	250k - 500k	250k - 500k		
Ukawa Masatsugu	Current	Director, Mansfield Group, Chief Admin Officer	General Manager, Internal Audit	Apr 18 - Current	2.6	5.0						<250k	<250k	250k - 500k	250k - 500k		
Song Lei	Current	General Manager, Mansfield (Suzhou)	General Manager, Magix Mechatronics (Dongguan)	Aug 16 - Current	4.4	4.4						<250k	<250k	<250k	<250k		
Shiba Makoto	Current	Corporate Controller	Director, Mansfield (2013-2014)	Apr 18 - Current	2.6	2.6									undisc.	undisc.	
Quek Siew Hoon	Current	Finance Director, Mansfield Group		FY00 - Current	20.0	20.0	250k - 500k	<250k	<250k	248,621	217,600	undisc.	undisc.	undisc.	undisc.	undisc.	
Ivy Neo Meow Khim	Current	Undisclosed		Nov 15 - Current	5.0	6.5					undisc.	undisc.	undisc.	undisc.	undisc.		
Li Wei Ta	Current	Undisclosed		FY16 - Current	5.0	5.0						250k - 500k	250k - 500k	250k - 500k	500k - 750k		
Fujimura Kazuhiko	Current	COO, Mansfield Group	Director, Mansfield Group	FY18 - Current	3.0	3.0									<250k		
Kuang Yubin	Past	Group Managing Director, Mansfield		Dec 15 - Jun 18	2.5	2.5						<250k	250k - 500k	250k - 500k	undisc.		
Christopher Chew Chee Khiong	Past	General Manager, Mansfield (South China)	CFO (2012-2013)	Dec 14 - Dec 15	1.0	1.0					25,072	250k - 500k	250k - 500k	undisc.			
Yi Yuan Wah	Past	Executive Director/SVP/COO, Mansfield Group		Nov 13* - Jul 15	1.7	2.7			undisc.	248,091	341,505	<250k					
Ip Chi Chung	Past	President/COO, Mansfield Group		Sep 09 - FY14*	5.3	12.2	250k - 500k	<250k	250k - 500k	261,354	undisc.						
Josiah Ang Lien Peng	Past	Undisclosed		Dec 10 - FY13	3.1	3.1			250k - 500k	250k - 500k	423,258						
Chan Led Chow	Past	Undisclosed		FY12* - FY13					<250k	290,632							

Source: Company reports, KGI Research

Operational management – drive for productivity

Mr Lou set out to restructure the company with various initiatives. As mentioned earlier, Mr Lou brought in more Chinese and Japanese management staff to better align the company with its Chinese supplier roots and Japanese customer profile. A secondary cost-cutting initiative was to improve work processes with the help of automation. Using a Quality, Cost, Delivery, Service (QCDS) management framework as a guideline, employee headcount has been reduced from 4,393 in FY15 to 2,090 in FY19, which helped in tapering staff costs.

Operational management – impact on numbers

We adjust InnoTek's financial statements to better determine the impact that Mr Lou and the current management team has brought about. Based on our common size income statement, we first observe that gross margins, which now excludes depreciation and wage expenses, have expanded from 33% to the high 30s and low 40s percentage range. We think this can be attributed to the focus on defending their product pricing. For example, InnoTek chose to exit the Weihai region in 3Q18 after facing "intense price competition", likely from EVA Precision Holdings, whom now are the supplier for Hewlett Packard's printer business. InnoTek's cost control has also capped SG&A expenses, which now include wage expenses after our adjustment, at ~30% of sales.

Figure 11: InnoTek's common size income statement

Common size Income Statement (Vertical analysis)	2014A	2015A	2016A	2017A	2018A	2019A
KGI Adjusted Version						
Revenue	100%	100%	100%	100%	100%	100%
COGS	-67%	-67%	-58%	-62%	-60%	-60%
Gross profit	33%	33%	42%	38%	40%	40%
Selling, general and admin expenses (SG&A)	-36%	-37%	-34%	-30%	-30%	-29%
EBITDA	-3%	-4%	8%	8%	10%	10%
Depreciation & amortisation (D&A)	-5%	-4%	-3%	-2%	-2%	-3%
EBIT	-8%	-8%	5%	6%	8%	7%
Net interest (expense)/income	0%	0%	0%	0%	0%	1%
Non-operating (expense)/income	-4%	1%	1%	1%	3%	3%
EBT	-13%	-7%	6%	7%	11%	10%
Income (tax)/credit	0%	0%	-1%	-3%	-1%	-1%
Net profit	-13%	-7%	5%	5%	9%	9%
Minority interest	0%	0%	0%	0%	0%	0%
PATMI	-13%	-7%	5%	5%	9%	9%

Source: Company reports, KGI Research

When comparing InnoTek against peers, we note that InnoTek has restored operational competitiveness since FY16, and steadily improved on margins since. We also highlight that InnoTek is able to hold on to its gross margins even when operating under COVID-19 conditions. While profit margins have suffered in 1H20, a significant portion of losses were attributed to InnoTek's investment portfolio, in which operational profit margin would have been close to 7% excluding these losses. This

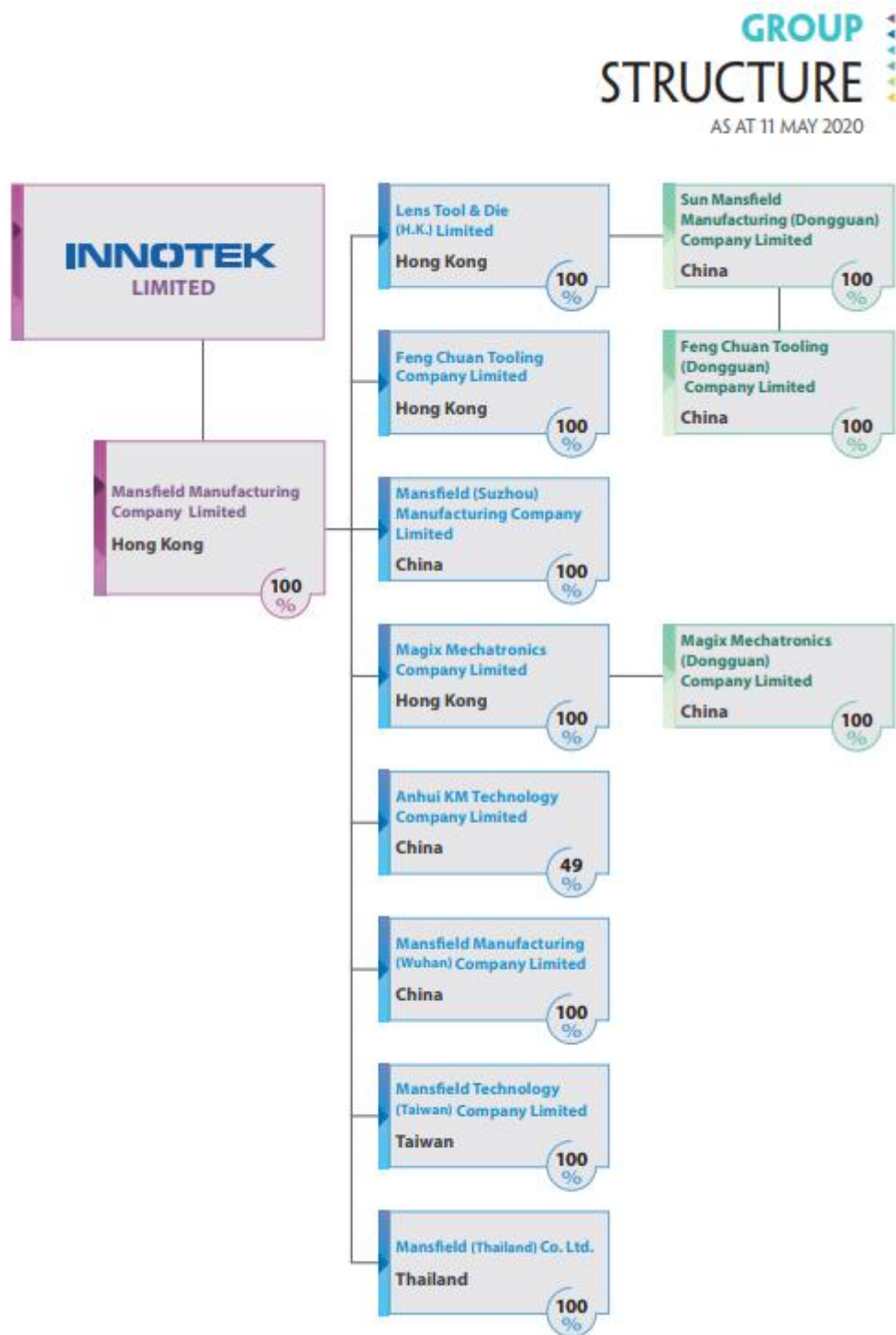
puts InnoTek near the top of profitability against its precision engineering peers. In retrospect, EVA Precision's decision to compete on price has led to dwindling profitability and losses in 1H20.

Figure 12: InnoTek's margins vs peers

Company Name	BBG Ticker	Price (local curr.)	Market Cap (\$\$ Mn)	Gross Margins (%)								Profit Margins (%)							
				FY13	FY14	FY15	FY16	FY17	FY18	FY19	1H20	FY13	FY14	FY15	FY16	FY17	FY18	FY19	1H20
INNOTEK LTD	INNOT SP	SGD 0.56	128	12	9	7	19	18	21	22	21	0	-13	-7	5	5	9	9	5
SGX-listed Diversified Manufacturers (Average)				17	18	19	19	20	19	20	20	3	4	5	5	6	6	6	7
VENTURE CORP LTD	VMS SP	SGD 18.79	5449	NA	NA	NA	NA	NA	NA	NA	NA	6	3	6	6	9	11	10	10
HIP INTERNATIONAL LTD	HIP SP	SGD 1.81	1462	8	7	5	12	16	15	14	13	1	1	-3	4	9	7	6	4
FRENCKEN GROUP LTD	FRKN SP	SGD 1.20	512	15	14	15	15	16	16	17	16	4	2	2	3	6	5	6	6
VALUETRONICS HOLDINGS LTD	VALUE SP	SGD 0.59	257	12	13	14	15	15	15	15	17	4	6	6	6	7	7	7	8
GP INDUSTRIES LTD	GPI SP	SGD 0.53	254	24	25	26	26	25	23	25	26	2	-1	3	2	2	2	2	7
FU YU CORP LTD	FUYU SP	SGD 0.26	192	7	12	16	16	17	18	20	21	2	4	6	5	2	6	7	10
ISDN HOLDINGS LTD	ISDN SP	SGD 0.40	174	30	27	28	25	25	27	27	25	3	3	4	2	3	4	2	6
SPINDEX INDUSTRIES LTD	SPE SP	SGD 0.97	112	21	23	24	23	23	19	22	20	8	9	11	8	10	9	10	8
CEI LTD	CEI SP	SGD 0.97	84	22	24	25	23	23	23	24	24	3	4	8	7	5	5	5	5
SGX-listed Diversified Manufacturers under 250 mn Market Cap (Average)				20	25	26	25	23	20	18	18	-3	6	2	2	10	3	50	1
FU YU CORP LTD	FUYU SP	SGD 0.26	192	7	12	16	16	17	18	20	21	2	4	6	5	2	6	7	10
ISDN HOLDINGS LTD	ISDN SP	SGD 0.40	174	30	27	28	25	25	27	27	25	3	3	4	2	3	4	2	6
SPINDEX INDUSTRIES LTD	SPE SP	SGD 0.97	112	21	23	24	23	23	19	22	20	8	9	11	8	10	9	10	8
CEI LTD	CEI SP	SGD 0.97	84	22	24	25	23	23	23	24	24	3	4	8	7	5	5	5	5
GRAND VENTURE TECHNOLOGY LTD	GVTL SP	SGD 0.30	70	NA	NA	10	25	27	36	37	NA	NA	NA	-28	1	12	11	8	8
SUNRIGHT LTD	SUNR SP	SGD 0.40	49	NA	NA	NA	NA	NA	NA	NA	NA	-4	0	2	1	6	4	-2	0
MANUFACTURING INTEGRATION TE	MIT SP	SGD 0.09	22	13	31	40	20	12	10	-13	-5	-21	16	17	-15	49	-33	422	-40
ASTI HOLDINGS LTD	ASTI SP	SGD 0.03	20	32	34	33	32	27	23	23	25	-16	2	-18	1	-7	38	11	4
GLOBAL TESTING CORP LTD	GTC SP	SGD 0.32	11	18	26	29	32	29	5	4	17	2	8	11	13	9	-22	-15	4
Closest Peers (Average)				19	19	19	19	20	19	18	18	4	5	4	3	5	5	4	3
H-ONE CO LTD	5989 JP	JPY 892.00	325	12	10	9	10	12	12	12	10	4	2	-1	1	3	3	2	1
LEMTECH HOLDINGS CO LTD	4912 TT	TWD 109.50	263	22	23	25	24	21	21	20	23	6	7	7	2	7	6	5	7
EVA PRECISION INDUSTRIAL HLD	838 HK	HKD 0.62	183	24	26	26	23	25	22	20	17	2	8	6	2	4	2	1	-4
FUJI DIE CO LTD	6167 JP	JPY 662.00	170	24	26	25	25	25	26	25	23	4	5	5	5	5	5	5	5
CHINA FINEBLANKING TECHNOLOG	1586 TT	TWD 40.20	160	17	16	15	15	21	19	15	21	3	3	-1	-2	1	4	1	6
SANKO GOSEI LTD	7888 JP	JPY 378.00	149	16	16	15	16	15	16	16	14	4	3	3	2	2	3	2	1
YUSEI HOLDINGS LTD	96 HK	HKD 1.10	121	13	16	15	15	16	14	10	10	1	5	6	5	7	7	3	0
SPINDEX INDUSTRIES LTD	SPE SP	SGD 0.97	112	21	23	24	23	23	19	22	20	8	9	11	8	10	9	10	8

Source: Bloomberg, KGI Research

Figure 13: InnoTek's current corporate structure, as of 11 May 2020.



Source: Annual report

Financials

YE 31 Dec

INCOME STATEMENT (S\$ '000)	2018A	2019A	2020A	2021F	2022F	2023F
Revenue	218,299	186,721	179,743	185,593	188,172	190,802
Cost of sales	(171,573)	(145,956)	(141,098)	(145,505)	(147,527)	(149,589)
Gross Profit	46,726	40,765	38,645	40,088	40,645	41,213
Selling, general, admin expenses	(30,014)	(27,457)	(28,040)	(27,468)	(27,849)	(28,239)
Profit from Operations	16,712	13,308	10,605	12,620	12,796	12,975
Other operating income/(expenses)	5,691	5,034	2,335	3,185	3,185	3,185
Finance income/(expenses)	943	1,010	(738)	(579)	(373)	(46)
Share of JV results	(1)	3	0	0	0	0
Profit before Tax	23,345	19,355	12,202	15,227	15,608	16,114
Income tax	(3,106)	(2,697)	(1,977)	(2,436)	(2,497)	(2,578)
Non-controlling interests	0	0	0	0	0	0
PATMI	20,239	16,658	10,225	12,790	13,111	13,535
BALANCE SHEET (S\$ '000)	2018A	2019A	2020A	2021F	2022F	2023F
Cash and cash equivalents	34,649	43,999	55,839	66,437	77,317	87,829
Trade and other receivables	72,151	60,123	59,240	61,168	62,018	62,885
Inventory	25,159	25,220	21,165	21,826	22,129	22,438
Other current assets	26,112	29,014	29,014	29,014	29,014	29,014
Current Assets	158,071	158,356	165,258	178,445	190,478	202,167
Property, plant and equipment	33,599	29,589	27,518	26,142	25,358	25,358
Investment properties	26,308	27,391	27,391	27,391	27,391	27,391
Other non-current assets	4,785	28,486	25,352	21,238	17,116	12,995
Non-current Assets	64,692	85,466	80,261	74,771	69,865	65,743
Total assets	222,763	243,822	245,519	253,216	260,343	267,910
Trade and other payables	65,754	53,941	52,206	53,837	54,585	55,348
Borrowings (current)	0	0	0	0	0	0
Other current liabilities	5,020	6,909	6,904	6,904	6,904	6,904
Current Liabilities	70,774	60,850	59,110	60,741	61,489	62,252
Borrowings (non-current)	0	224	224	224	224	224
Other non-current liabilities	2,393	21,836	18,592	15,413	12,226	9,039
Non-current liabilities	2,393	22,060	18,816	15,637	12,450	9,263
Shareholders equity	149,596	160,912	167,593	176,838	186,405	196,395
Non-controlling interests	0	0	0	0	0	0
Total Equity	149,596	160,912	167,593	176,838	186,405	196,395
Total Liabilities and Equity	222,763	243,822	245,519	253,216	260,343	267,910
CASH FLOW STATEMENT (S\$ '000)	2018A	2019A	2020A	2021F	2022F	2023F
Net income before tax	23,345	19,355	12,202	15,227	15,608	16,114
Depreciation & Amortisation	5,109	5,872	8,838	8,528	8,321	8,204
Change in Working Capital	(4,047)	50	3,198	(959)	(405)	(413)
Income Tax Paid	(3,180)	(4,706)	(1,977)	(2,436)	(2,497)	(2,578)
Other non-cash adjustments	(2,727)	(2,676)	(144)	(172)	(172)	(172)
CF from operating activities	18,500	17,895	22,118	20,187	20,855	21,153
Purchase/Disposal of PPE	(5,928)	(2,002)	(2,367)	(2,752)	(3,137)	(3,804)
Other CFI	(11,419)	(2,879)	(100)	(100)	(100)	(100)
CF from investing activities	(17,347)	(4,881)	(2,467)	(2,852)	(3,237)	(3,904)
Dividends Paid	(2,262)	(3,395)	(3,545)	(3,545)	(3,545)	(3,545)
Debt Raised / (Repaid)	0	222	0	0	0	0
Equity Raised / (Bought Back)	424	0	0	0	0	0
Other Cash from Financing	(26)	(616)	(3,193)	(3,193)	(3,193)	(3,193)
CF from financing activities	(1,864)	(3,789)	(6,738)	(6,738)	(6,738)	(6,738)
Net increase in cash & cash equiv.	(711)	9,225	12,913	10,598	10,880	10,512
FX effects	(463)	(279)	0	0	0	0
Beginning Cash	35,154	33,980	42,926	55,839	66,437	77,317
Ending Cash	33,980	42,926	55,839	66,437	77,317	87,829
KEY RATIOS	2018A	2019A	2020A	2021F	2022F	2023F
Profitability						
EPS	0.09	0.07	0.04	0.05	0.06	0.06
EPS Growth (%)	103.8	(18.1)	(41.2)	25.1	2.5	3.2
DPS (SGD Cents)	1.5	1.5	1.5	1.5	1.5	1.5
Dividend Yield (%)	2.4	2.4	2.4	2.4	2.4	2.4
Profitability						
Gross margin	21.4%	21.8%	21.5%	21.6%	21.6%	21.6%
EBITDA margin	9.9%	10.2%	10.8%	11.3%	11.2%	11.0%
Net margin	9.3%	8.9%	5.7%	6.9%	7.0%	7.1%
ROE	13.5%	10.4%	6.1%	7.2%	7.0%	6.9%
ROA	9.1%	6.8%	4.2%	5.1%	5.0%	5.1%
Financial Structure (x)						
Interest coverage	21,720.0	116.3	8.2	8.9	8.9	8.9
Total Debt/Equity	0.0	0.0	0.0	0.0	0.0	0.0
Net Gearing	-0.2	-0.3	-0.3	-0.4	-0.4	-0.4
Market Valuation (x)						
Price / Earnings	7.0	8.6	14.6	11.6	11.4	11.0
Price / Book	0.9	0.9	0.9	0.8	0.8	0.8
Price / Sales	0.7	0.8	0.8	0.8	0.8	0.8
EV / EBITDA	4.9	5.2	4.8	3.9	3.4	2.9

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Outperform (OP)	We take a positive view on the stock. The stock is expected to outperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
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Not Rated (NR)	The stock is not rated by KGI Securities.
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