

Wellcall Holdings (WELL MK)

Dividend angle with LT growth potential

A proxy to up-cycle/recovery in industrial activities

Wellcall is well-positioned to capture the potential rise in demand for rubber hoses from the up-cycle in global construction and recovery in O&G activities. The Group's manufacturing plants have ample room to ramp-up production to meet the demand for higher quality products. Besides, its in-house compounding production should help the Group to sustain its gross profit margin of more than 30%. To top it off, Wellcall has been generously paying dividends above its policy of 50%.

A major player in industrial rubber hoses

Wellcall is the leading low and medium pressure industrial rubber hose OEM in Malaysia. It exports various types of extrusion, mandrel and spiral hoses to more than 70 countries and its products have gained international recognition for their reliability and quality. In addition, the Group emphasizes continuous research and development activities to produce innovative hose products and implement efficient production processes.

Room for higher production and efficiency

Wellcall currently has three production lines, all in Ipoh, Perak with a combined annual capacity 31.2m linear meters. There is room for the three lines to increase volumes as full utilisation has yet to be reached. Furthermore, its third plant is equipped with highly automated technology to enhance productivity. It also has an in-house compounding plant to ensure better quality of its products and cost control in the compounding production.

Strong balance sheet and stable cash flow

Wellcall is in a net cash position (5sen/share) and this is underpinned by its healthy gross profit margin of more than 30% and low borrowings. Strong cash flow has also helped the Group pay dividends above its policy of 50%, lending to dividend yields of more than 4%.

FYE Sep (MYR m)	FY13A	FY14A	FY15A	FY16A	FY17A
Revenue	132	146	158	134	159
EBITDA	37	43	53	47	54
Core net profit	25	29	41	31	37
Core EPS (sen)	5.0	5.9	8.3	6.3	7.4
Core EPS growth (%)	na	18.4	41.6	(24.3)	17.6
Net DPS (sen)	4.8	5.5	6.1	6.1	6.2
Core P/E (x)	27.8	23.5	16.6	21.9	18.6
P/BV (x)	8.3	8.0	7.1	7.0	6.6
Net dividend yield (%)	3.5	4.0	4.4	4.4	4.5
ROAE (%)	na	34.8	45.0	32.1	36.2
ROAA (%)	na	28.5	33.6	23.0	28.1
EV/EBITDA (x)	9.1	11.8	13.3	13.4	11.2
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash

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Not Rated

Share Price

MYR 1.38

Company Description

Wellcall Holdings Bhd. engages in the manufacture of industrial rubber hoses and related products.

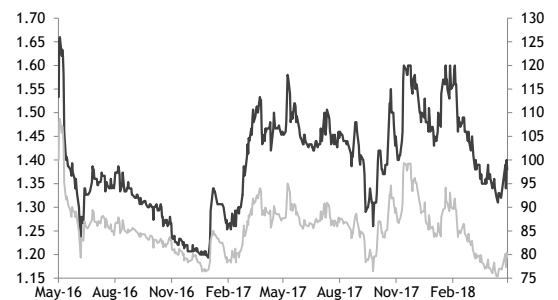
Statistics

52w high/low (MYR)	1.60/1.26
3m avg turnover (USDm)	0.1
Free float (%)	74.0
Issued shares (m)	498
Market capitalisation	MYR687.2M USD173M

Major shareholders:

Maximum Perspective Sdn. Bhd.	11.0%
Public Mutual Bhd.	5.6%
Mondrian Investment Partners Ltd.	5.1%

Price Performance



— Wellcall - (LHS, MYR) — Wellcall / Kuala Lumpur Composite Index - (RHS, %)

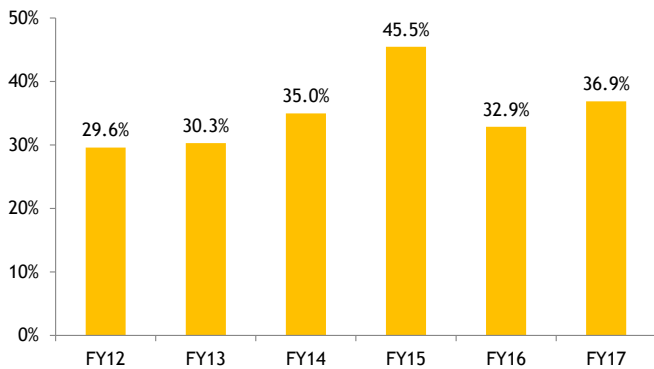
	-1M	-3M	-12M
Absolute (%)	1	(11)	(5)
Relative to index (%)	3	(12)	(10)

Source: FactSet

Value Proposition

- Per management, Wellcall is the leading low and medium pressure industrial rubber hose producer in Malaysia.
- It is steered by its founders, who have been running the Group more than 20 years and have in-depth knowledge of markets, skills and expertise of rubber hose production.
- High barriers to entry for rubber hose due to large capex, stringent compliance by customers and R&D effort.
- High cash generating efficiency; its operating cash flow last year was MYR44m against net profit of MYR36.9m.
- ROE has continued to improve to 36.9% in FY17 from 29.6% in FY12, through better margins.

ROE trends

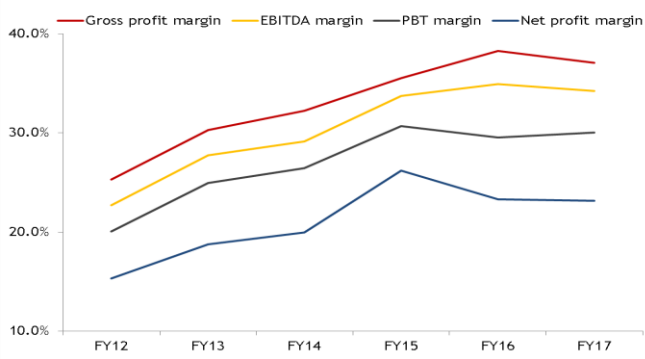


Source: Company (data)

Financial Metrics

- Wellcall operates 31.2m linear meters of rubber hose annual capacity at an average 78% utilisation rate.
- Sustained profit margins due to cost efficiency on compounding process and automated machines.
- It implements a partial cost pass-through mechanism to reflect changes in rubber prices.
- Net cash position (5sen/share) on low borrowings and a big war chest.
- It has been consistently paying dividends more than its policy of 50%.

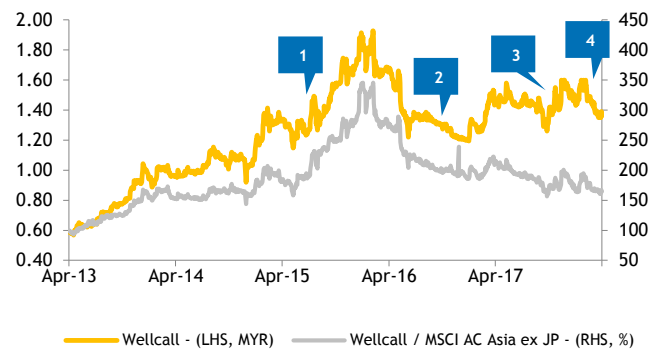
Profit margins trends



Source: Company (data)

Price Drivers

Historical share price trend



Source: Company, Maybank Kim Eng

- Achieved record high revenue in FY15 on favourable USD/MYR and continued recovery in demand for rubber hose.
- Staged earnings decline due to the softening of demand for rubber hose, and the price of imported rubber and the USD/MYR were volatile.
- The completion of share split of every two existing shares to three shares.
- Weakening USD/MYR and potential increase in synthetic rubber price due to tight supply of chemicals between 2018 and 2019 and rising crude oil price trend.

Swing Factors

Upside

- Stronger rubber hose consumption due to robust global construction and O&G activities.
- A significant fall in rubber prices.
- Substantial rise in USD/MYR.

Downside

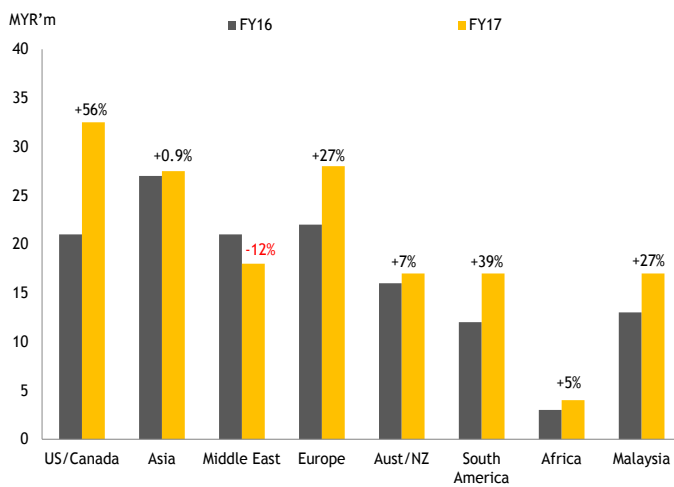
- Increased volatility in rubber prices.
- Sharp fall in USD/MYR.
- Weaker global economic growth may decelerate the global rubber hose demand.

An industrial rubber hose manufacturer

Established in 1996, Wellcall started off manufacturing and selling low and medium pressure industrial rubber hoses, namely air and water hoses, oil hoses and welding hoses in Europe, the US and Canada. It has since continued building up its customer base globally and has expanded into a wider range of rubber hoses, which includes food and beverage hoses, chemical hoses and steam hoses.

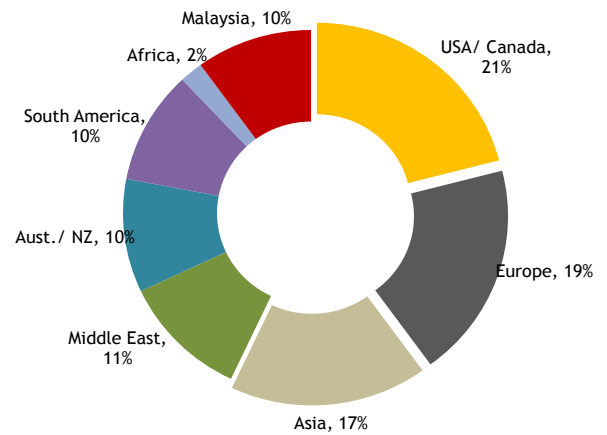
Its customers are mostly distributors and to date, it has more than 180 distributors, covering over 70 countries. Thus, its export markets account for 90% of its revenue with US/Canada, Europe and Asia being the top three contributors; sales are mainly in USD. That said, no single distributor accounts for more than 10% of the Group’s revenue.

Fig 1: Revenue by region



Source: Company

Fig 2: FY17 share of revenue by region



Source: Company

Rubber hoses for various applications

Wellcall’s products are for both the primary market, which is based on new projects across its application markets, and the replacement market given that its products are consumables with a lifespan of a few weeks to at most 18-24 months. In addition, it conducts R&D to improve its products as well as product range.

The Group prides itself on its high quality rubber hoses that have gained recognition in the rubber hose and tubing industry internationally. It was awarded the ISO9001:2000 certification by SGS (the world’s leading inspection, verification, testing and certification company) in Nov 2003 for its manufacturing and development, which is a testament to its quality control standards. Other third parties for quality accreditations include Lloyd’s Register, SIRIM, Flinders Cook and Malaysia Rubber Board.

The Group acts as an OEM, customising products based on customers’ needs and specifications for various applications, size, pressure and temperature resistance. Its rubber hose products can be divided into the following categories (Fig 3).

Fig 3: Categories of product

Type	Internal diameter	Length
Extrusion hose	1/8" - 2"	60 - 200 meters
Mandrel hose	1/2" - 20"	12 - 60 meters
Spiral	1/2" - 2"	60 meters

Source: Company

Fig 4: Product types and specific applications

Types of product	Category	Applications
Water hose		Water and non-corrosive fluids used in construction sites and light duty industrial applications
Car heater hose		Transfer of hot water in automobile heating systems
Washdown hose		Hot water wash-down suitable for food processing industry, packing houses, bottling plants and breweries
Fire-fighting hose		Fire-fighting purposes for use with fixed systems
General / multi-purpose	Extrusion	General industrial applications where contact with oil / grease is frequent. Not suitable for chemical and abrasive medium
LPG hose		Welding / cutting purposes in shipbuilding, civil works and other related industries
Marine fuel hose		Fire resistant property to convey fuel oil or diesel aboard small craft
Fuel / oil hose		Delivery of petroleum-based products with aromatic content up to 50% for fuel connector service
Dock hose		Transferring petroleum product from tankers and barges, bunkering service and industrial applications
Air / water hose		Fire resistant and anti-static properties to convey air, stone dust and water in underground coal mines
Tank truck hose	Mandrel	Suction and delivery of a wide range of petroleum fuel
Food suction & delivery hose		Suction and delivery of fatty and non-fatty foods
Sandblast hose		Delivery of steel shots, sand and etc
Marine exhaust hose		Water cooled diesel engine exhaust gas system
Air hose	Extrusion & mandrel	Versatile general industries and construction sites. Not suitable for transfer of petroleum products

Source: Company

More room for capacity utilisation

Wellcall currently owns three manufacturing plants, all in Ipoh, Perak with a combined capacity of 31.2m linear meters per annum. Utilisation rates for all three production lines are in the 42-83% range (Fig 5). There is room for the Group to increase production at plant 2 and plant 3 to further strengthen its position in the market although plant 1 operates at almost full capacity. Besides, one-third of plant 3 is being left vacant for future capacity expansion, if needed.

Its third plant was commissioned in 2015, costing the Group approximately MYR45m. The plant is equipped with semi-automated mandrel lines and fully-automated spiral lines that may further improve its production efficiency and further diversify its product range into new spiral hoses. It also allows for upgrading of machineries in plant 2 whilst minimising production disruption.

Fig 5: Details of production plants

	Plant 1	Plant 2	Plant 3
Built-up (sq ft)	150,000	190,000	186,000
Production line	Extrusion	Mandrel	Mandrel & spiral
Capacity ('000 linear meter per annum)	25,200	3,330	2,707
Average utilization rate (%)	83%	67%	42%
Average output ('000 linear meter per annum)	21,000	2,220	1,128

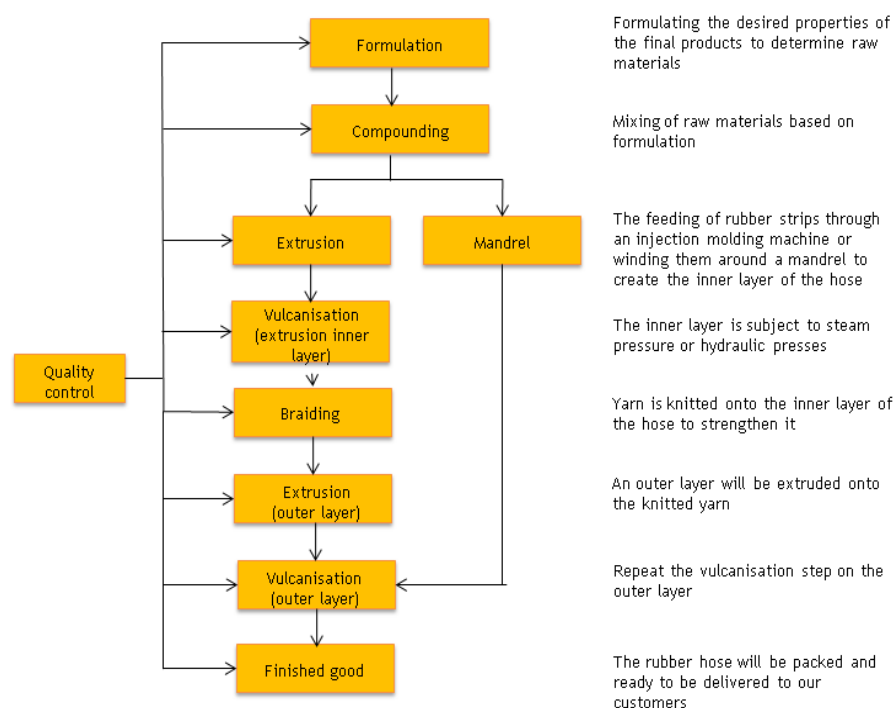
Source: Company (data)

Together with the commissioning of plant 3, the Group installed Banbury machines for a fully operational in-house compounding process. This will allow it to manage the cost efficiency of its semi-finished goods and enjoy better quality control. Previously, about 60% of its compounding process was outsourced.

The process is a critical element in determining the performance of its finished product. The process essentially turns rubber into higher value added products through the incorporation of additives. The Group's practice is to optimise the usage of both natural and synthetic rubber to maximise the synergy of the different properties contained in natural and synthetic rubber.

The production process for the different rubber hoses is similar but may vary depending on the specifications required by its customers. The process flows are illustrated as follows:

Fig 6: Production process for extrusion and mandrel



Source: Company

Market demand lies in application markets development

Market demand for Wellcall's products is closely related to the various application markets in which its products are applied. About 50%-60% of its revenue is derived from air & water, O&G, and welding markets and the rest of the application markets is mixed.

Fig 7: Market activities drive sales

Application markets	General performance
Air & water	Shortages of land may spur land reclamation activities and this could increase demand for dredging hoses. Meanwhile, increasing importance of sewage and wastewater collection and treatment has encouraged the demand for quality suction and delivery hoses.
O&G	Rising activities in petroleum production may boost demand for rubber hoses
Welding and cutting	As both welding and cutting are indispensable in industrial applications, the demand for welding hoses may rise in tandem.

Source: Company

Management aims to tighten its grip on its major existing markets and to penetrate further into the respective continents where they have a presence. This is an ongoing expansion effort with greater focus on Africa and the Middle East, where current revenue contributions are relatively lower.

Management team

Wellcall Holdings Bhd was founded in 1996 by Huang Sha, Leong Hon Chong and Lin Kun Pao. It is currently steered by Huang Sha, who sits as the Group's Managing Director and he is assisted by its Executive Director, Leong Hon Chong, and the existing management team. The founders have more than 25 years of experience in the rubber hose industry.

Fig 8: Management team

Name	Position	Details
Huang Sha (age: 62 years)	Non Independent Managing Director	<ul style="list-style-type: none"> - Appointed to the Board on 17 April 2006 - Qualification: Secondary Education, Taiwan - Previously, he worked for various rubber product manufacturers in Taiwan and Indonesia, including being GM of Jeflo Robin (M) Sdn Bhd, manufacturer of industrial rubber hose - Instrumental in diversifying Wellcall's customer base and expanding its product range - Responsible for strategic planning and development of the Group
Leong Hon Chong (age: 72 years)	Non Independent Executive Director	<ul style="list-style-type: none"> - Appointed to the Board on 17 April 2006 - Qualification: Bachelor of Commerce (Accountancy) from University of Otago, New Zealand - Started his career as an auditor with Swenry & Co. and furthered as Controller for Carter Semiconductor Sdn Bhd - Responsible for administration and marketing functions of the Group
Huang Kai Lin (age: 33 years)	General Manager	<ul style="list-style-type: none"> - Appointed to the Board on 12 April 2010 - Qualification: Bachelor of Chemical Engineering from National Taiwan University, Taiwan - Joined as an engineer, in the Research and Development department of Wellcall Hose (M) Sdn Bhd - Currently General Manager of Wellcall Holdings Bhd, overseeing the operations of the Company and subsidiary - Son of Huang Sha, Alternate Director to Leong Hon Chong

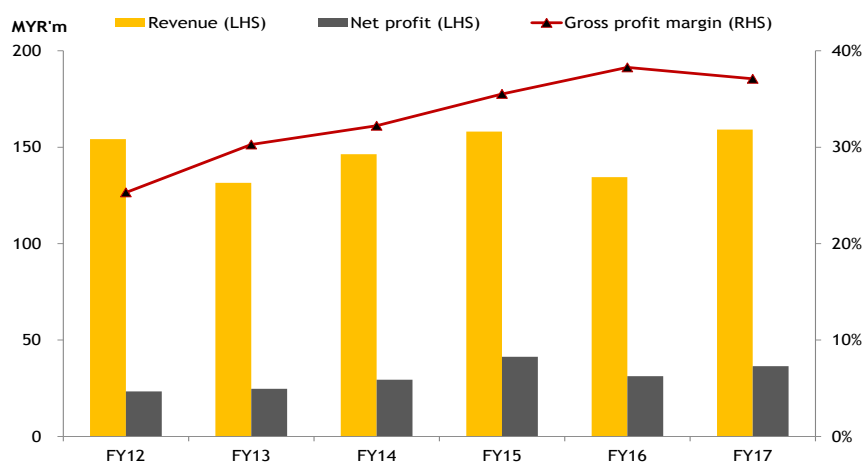
Source: Company

Financials & valuations

P&L analysis

Wellcall's core net profit has charted a five-year CAGR of 9.3% from FY9/12-FY9/17, mainly attributable to improvement in its gross profit margin (from 25.3% in FY12 to 37.1% in FY17) and record high revenue in FY17. Revenue increased 18.3% YoY to MYR159.1m due to an 8% YoY growth in export markets, led by growth in exports to the US and Canada (+56% YoY) and South America (+39% YoY). Excluding the impact of the higher USDMYR in FY17, the revenue was still up 16.5% YoY. The growth was supported by the continued recovery of global demand for rubber hoses coupled with an increase in ASPs for some hoses.

Fig 9: 5-year trend of revenue, net profit and margin



Source: Company

1QFY9/18 results, however, were rather sluggish as net profit weakened 17% YoY and 20% QoQ despite higher revenue for the quarter of MYR42.3m (+12% YoY). The decrease in net profit was due to higher production cost from rising raw material costs during the period. As a result, gross profit margin shrank 5-ppts YoY and QoQ to 31.7%.

Fig 10: 1QFY9/18 results review

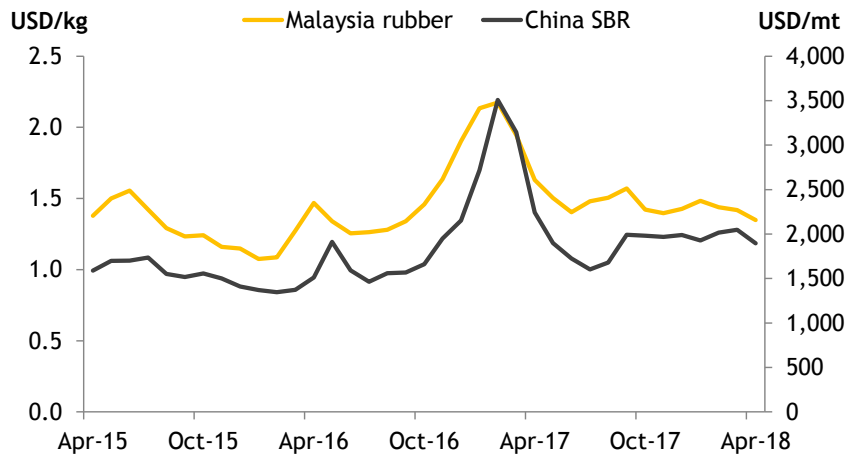
FYE Sep (MYR'm)	1Q18	1Q17	%YoY	4Q17	%QoQ
Revenue	42.3	37.9	11.6	43.6	(3.1)
Gross profit	13.4	14.0	(4.3)	16.0	(16.1)
Depreciation	(1.4)	(1.5)	(10.4)	(1.4)	(0.8)
EBIT	10.2	12.6	(19.2)	12.7	(20.0)
Finance income	0.2	0.2	37.0	0.3	(13.4)
Finance costs	(0.2)	(0.2)	(38.5)	(0.2)	(29.9)
PBT	10.2	12.5	(18.1)	12.8	(19.7)
Tax expense	(2.3)	(3.0)	(22.7)	(2.9)	(20.5)
Headline net profit	8.0	9.5	(16.6)	9.9	(19.5)
Margin (%)	1Q18	1Q17	+/- ppt	4Q17	+/- ppt
Gross profit	31.7	36.9	(5.2)	36.6	(4.9)
EBIT	24.0	33.2	(9.2)	29.1	(5.1)
PBT	24.2	33.0	(8.8)	29.2	(5.0)
Net profit	18.8	25.2	(6.4)	22.6	(3.8)

Source: Company

Cost structure

Raw materials comprise 55-65% of COGS. They include both natural and synthetic rubber, nylon cords and rubber chemicals (anti-degradants, accelerators, fillers and carbon black). The balance comprises labour (10%-15%), utilities and depreciation. Raw materials are sourced from Europe, Japan, China and the US, and the purchases are in USD. However, natural rubber is locally sourced. The Group normally partially passes on additional costs to customers should raw material prices increase.

Fig 11: 3-year trend of rubber prices

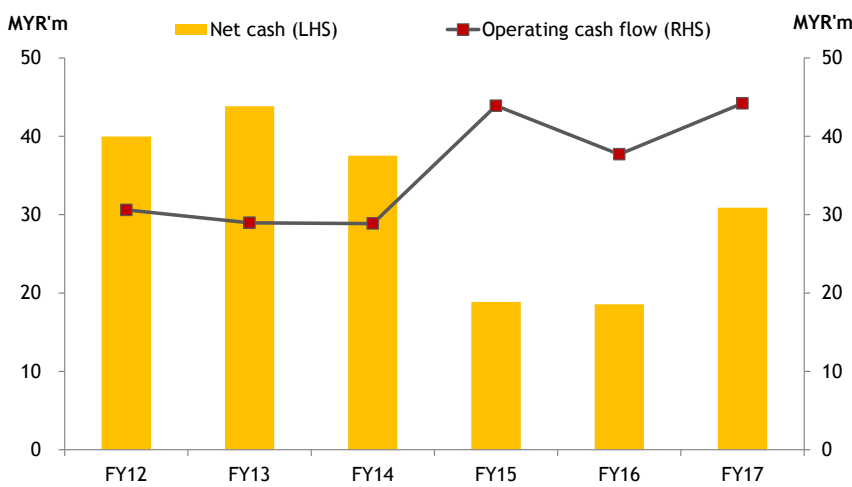


Source: Bloomberg

Balance sheet and cash flow analysis

The Group is in a net cash position which is largely due to its healthy gross profit margin of more than 30% and low borrowings. As at end-Dec 2017, its net cash position and borrowings stood at MYR27.3m (5sen/share) and MYR7.7m respectively.

Fig 12: Sturdy balance sheet

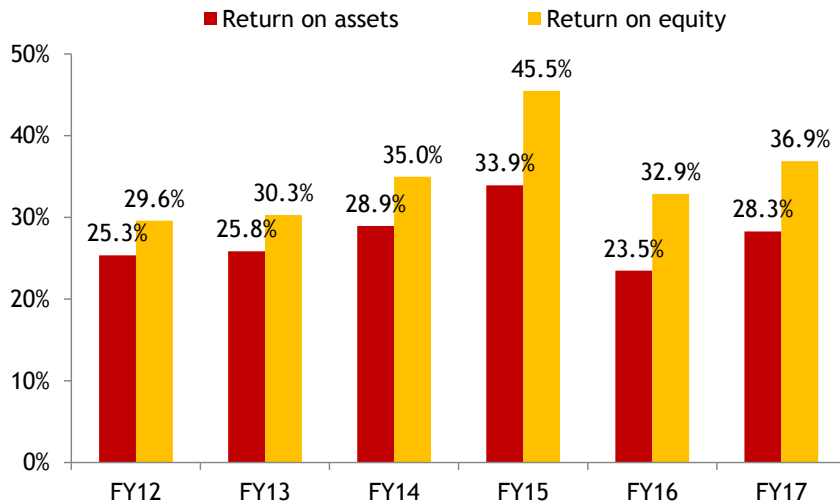


Source: Company

Efficient deployment of assets and equity

Wellcall's ROA and ROE have improved from 25.3% and 29.6% in FY12 to 28.3% and 36.9% respectively in FY17. This improvement in production efficiency and profitability on cost savings may be attributed primarily to the introduction of its compounding process and automated machines.

Fig 13: Sustained >25% average returns on assets and equity

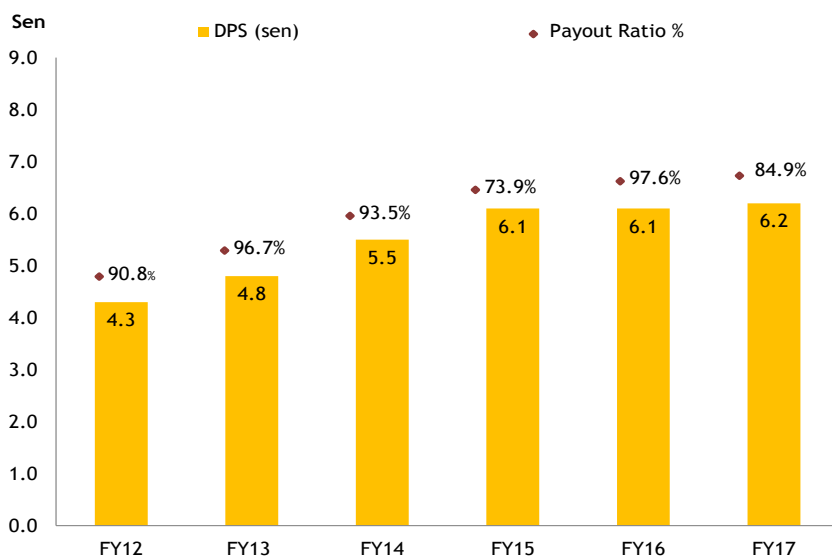


Source: Company data, Maybank Kim Eng

Generous dividend payout

The Group has a formal dividend policy of 50% of net profit. Yet, it has been paying out dividends (including special interim single-tier dividend) in the 70-98% range over the past five years.

Fig 14: Historical dividend payout



Source: Company

Capex

Capex is budgeted between MYR3m and MYR4m per annum for maintenance and upgrading of older production lines to further improve its productivity. No large capex is required at this juncture as the expansion of its manufacturing plant was completed in 2015.

Peers and competition

According to management, Wellcall has maintained a dominant presence in the industrial rubber hose market since its inception due to its continuous improvement and boosting its application markets. Local competitors include Pong Codan Rubber Sdn Bhd, Euroma Rubber Industries (acquired by Sinochem in 2007), Alfagomma-Mardec Sdn Bhd, Fudex Rubber Products (M) Sdn Bhd and Good Rubber Works Industries Sdn Bhd.

That said, most local rubber hose manufacturers are involved in the production of high pressure hoses and are in a different segment of market application. Some of the players produce similar products but are not as advanced as Wellcall since the latter is the only producer which currently has an in house R&D centre that enhances the quality of its products and diversifies its range to meet changes in market demand, and to meet local and overseas regulatory standards.

Internationally, major competition comes from Eaton Corp PLC (ETN US; Not Rated), Trelleborg AB (TRELB SS; Not Rated), Goodyear Tire & Rubber Co (GT US; Not Rated) and Semperit AG Holding (SEM AV; Not Rated). Their businesses are mainly focused on medium to high pressure industrial rubber hose manufacturing.

Wellcall trades at 18.4x CY17 P/E, which is a 12.2% premium to its global peer basket of rubber hose companies that trades at 16.4x P/E. This is justified by its relatively higher ROE and yield. In contrast, its 17.6x CY17 P/E represents a huge discount of 42.1% and 18.6% respectively to the average for rubber gloves of 31.8x P/E and other rubber based product manufacturers of 22.6x P/E.

Fig 15: Peers comparison, as of 16th May 2018

Company	Bloomberg Code	MKE Rec	Price (LC)	MKE TP (LC)	Mkt Cap (USD'm)	P/E (x)		P/B (x)		ROE (%)		Yield (%)	
						CY16A	CY17A	CY16A	CY17A	CY16A	CY17A	CY16A	CY17A
Wellcall Holdings Bhd	WELL MK	NR	1.40	-	176	21.4	18.4	7.0	6.6	32.8	35.6	3.3	3.6
Malaysia rubber gloves players													
Top Glove Corp Bhd	TOPG MK	HOLD	10.00	9.85	3,219	36.5	34.8	6.7	6.0	18.6	17.6	1.5	0.8
Hartalega Holdings Bhd	HART MK	SELL	6.06	4.90	5,058	72.6	49.9	12.2	10.8	16.9	21.7	0.7	0.6
Kossan Rubber Industries	KRI MK	HOLD	7.23	9.10	1,165	27.7	25.1	4.4	4.0	16.0	15.9	1.5	0.8
Supermax Corp Bhd	SUCB MK	NR	3.23	-	534	22.5	31.5	2.1	2.0	9.3	6.3	NA	NA
Comfort Glove Bhd	CG MK	NR	0.85	-	120	18.6	17.7	2.3	1.8	12.6	10.5	NA	1.1
Careplus Group Bhd	CPG MK	NR	0.25	-	32	795.2	NA	1.3	1.7	0.2	NA	NA	NA
Simple average						35.6	31.8	3.4	3.1	12.3	14.4	1.2	0.8
Other rubber base product manufacturers													
Superlon Holdings Bhd	SLON MK	NR	1.36	-	54	10.1	11.9	2.1	2.5	21.0	23.9	3.3	3.1
Karex Bhd	KAREX MK	NR	0.80	-	202	16.9	33.3	1.6	3.5	9.7	24.9	2.5	1.6
Simple average						13.5	22.6	1.9	3.0	15.3	24.4	2.9	2.3
Global rubber hose peers													
Eaton Corp Plc	ETN US	NR	77.3	-	33,816	17.6	11.3	2.3	2.0	13.1	17.3	2.9	2.9
Trelleborg Ab-B Shs	TRELB SS	NR	207.0	-	6,457	8.5	19.5	2.2	2.1	29.3	11.8	2.1	2.1
Goodyear	GT US	NR	26.4	-	6,331	5.0	18.3	1.5	1.4	28.7	7.3	1.2	1.2
Semperit Ag Holding	SEIGF US	NR	20.5	-	422	NA	NA	NA	NA	NA	NA	NA	NA
Simple average						10.4	16.4	2.0	1.8	23.7	12.1	2.1	2.1

Source: Bloomberg

FYE 30 Sep	FY13A	FY14A	FY15A	FY16A	FY17A
Key Metrics					
P/E (reported) (x)	13.3	16.4	14.9	24.9	18.7
Core P/E (x)	27.8	23.5	16.6	21.9	18.6
P/BV (x)	8.3	8.0	7.1	7.0	6.6
P/NTA (x)	8.3	8.0	7.1	7.0	6.6
Net dividend yield (%)	3.5	4.0	4.4	4.4	4.5
FCF yield (%)	3.9	3.0	1.2	4.4	6.3
EV/EBITDA (x)	9.1	11.8	13.3	13.4	11.2
EV/EBIT (x)	10.0	12.9	14.5	15.5	12.5
INCOME STATEMENT (MYR m)					
Revenue	131.5	146.4	158.1	134.5	159.1
Gross profit	39.8	47.2	56.2	51.5	59.0
EBITDA	36.5	42.7	53.4	47.0	54.5
Depreciation	(3.4)	(3.7)	(4.3)	(6.3)	(5.7)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	33.1	39.0	49.0	40.7	48.8
Net interest income / (exp)	(0.2)	(0.3)	(0.5)	(1.0)	(0.9)
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	32.8	38.7	48.5	39.8	47.8
Income tax	(8.2)	(9.2)	(7.2)	(8.5)	(11.4)
Minorities	0.0	0.0	0.0	0.0	0.0
Perpetual securities	0.0	0.0	0.0	0.0	0.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	24.7	29.5	41.3	31.3	36.5
Core net profit	24.7	29.2	41.4	31.4	36.9
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	46.0	40.6	36.5	36.8	39.2
Accounts receivable	6.9	14.8	13.1	7.3	11.6
Inventory	17.1	18.6	20.0	16.8	14.7
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	28.0	32.7	63.3	64.5	59.8
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	0.0	0.0	6.4	8.4	3.7
Total assets	98.1	106.8	139.3	133.8	129.0
ST interest bearing debt	2.2	3.1	8.0	4.5	2.6
Accounts payable	9.9	14.6	20.3	13.3	12.5
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	0.0	0.0	9.7	13.7	5.8
Other liabilities	3.0	3.0	4.0	4.0	4.0
Total Liabilities	14.9	20.5	42.2	35.9	25.3
Shareholders Equity	83.2	86.4	97.1	97.9	103.7
Minority Interest	0.0	0.0	0.0	0.0	0.0
Total shareholder equity	83.2	86.4	97.1	97.9	103.7
Perpetual securities	0.0	0.0	0.0	0.0	0.0
Total liabilities and equity	98.1	106.8	139.3	133.8	129.0
CASH FLOW (MYR m)					
Pretax profit	32.8	38.7	48.5	39.8	47.8
Depreciation & amortisation	3.4	3.7	4.3	6.3	5.7
Adj net interest (income)/exp	0.0	0.0	0.0	0.0	0.0
Change in working capital	0.4	(4.7)	6.1	2.0	(3.1)
Cash taxes paid	(7.7)	(8.4)	(15.2)	(10.3)	(6.7)
Other operating cash flow	(0.0)	(0.2)	0.1	0.1	0.4
Cash flow from operations	29.0	28.9	43.9	37.7	44.2
Capex	(2.3)	(8.6)	(35.4)	(7.4)	(1.0)
Free cash flow	26.7	20.3	8.5	30.3	43.2
Dividends paid	(22.5)	(26.5)	(30.5)	(30.5)	(30.6)
Equity raised / (purchased)	0.1	0.2	0.0	0.0	0.0
Perpetual securities	0.0	0.0	0.0	0.0	0.0
Change in Debt	0.0	0.0	17.0	0.6	(10.0)
Perpetual securities distribution	0.0	0.0	0.0	0.0	0.0
Other invest/financing cash flow	0.2	0.5	0.4	0.0	0.6
Effect of exch rate changes	0.0	0.2	2.0	1.5	0.9
Net cash flow	4.4	(5.4)	(2.6)	1.9	4.0

FYE 30 Sep	FY13A	FY14A	FY15A	FY16A	FY17A
Key Ratios					
Growth ratios (%)					
Revenue growth	na	11.3	8.0	(15.0)	18.3
EBITDA growth	na	17.0	25.0	(11.9)	15.9
EBIT growth	na	17.8	25.8	(16.9)	19.7
Pretax growth	na	17.9	25.4	(18.1)	20.3
Reported net profit growth	na	19.3	40.2	(24.3)	16.5
Core net profit growth	na	18.4	41.6	(24.3)	17.6
Profitability ratios (%)					
EBITDA margin	27.8	29.2	33.7	35.0	34.2
EBIT margin	25.1	26.6	31.0	30.3	30.6
Pretax profit margin	25.0	26.4	30.7	29.6	30.1
Payout ratio	96.8	92.9	73.5	97.1	84.7
DuPont analysis					
Net profit margin (%)	18.8	20.1	26.1	23.3	22.9
Revenue/Assets (x)	1.3	1.4	1.1	1.0	1.2
Assets/Equity (x)	1.2	1.2	1.4	1.4	1.2
ROAE (%)	na	34.8	45.0	32.1	36.2
ROAA (%)	na	28.5	33.6	23.0	28.1
Liquidity & Efficiency					
Cash conversion cycle	na	47.3	38.5	34.4	31.7
Days receivable outstanding	na	26.8	31.8	27.4	21.4
Days inventory outstanding	na	64.8	68.3	79.8	56.7
Days payables outstanding	na	44.3	61.5	72.8	46.4
Dividend cover (x)	1.0	1.1	1.4	1.0	1.2
Current ratio (x)	5.8	4.2	2.7	3.9	4.6
Leverage & Expense Analysis					
Asset/Liability (x)	6.6	5.2	3.3	3.7	5.1
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Net gearing (%) (excl. perps)	net cash	net cash	net cash	net cash	net cash
Net interest cover (x)	145.8	149.7	101.6	41.7	52.3
Debt/EBITDA (x)	0.1	0.1	0.3	0.4	0.2
Capex/revenue (%)	1.7	5.9	22.4	5.5	0.6
Net debt/ (net cash)	(43.8)	(37.5)	(18.9)	(18.6)	(30.9)

Source: Company; Maybank

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BUY	Return is expected to be above 10% in the next 12 months (excluding dividends)
HOLD	Return is expected to be between - 10% to +10% in the next 12 months (excluding dividends)
SELL	Return is expected to be below -10% in the next 12 months (excluding dividends)

Applicability of Ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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