

Super Group (SUPER SP)

Share Price: SGD1.35

MCap (USD): 1.1B

Singapore

Target Price: SGD1.57 (+17%)

ADTV (USD): 2M

Consumer Staples

BUY

(Unchanged)

Not yet peak season

- 1Q15 weakness expected. New products not launched yet. Tax above forecast. Cut EPS 4-5% for this & lower revenue.
- Expect catch-up in 2H on stronger seasonality, coinciding with launch of new products.
- Maintain BUY with catalysts from the above. Lower TP to SGD1.57 from SGD1.60, on 1SD above 16x P/E mean.

1Q weakness expected

1Q15 EPS formed 18% of our FY15F. Core profit was SGD13.6m (-24% YoY, -30% QoQ). Gross margins fell YoY to 36.1% on higher lower-margin Food Ingredient (FI) sales as SEA customers loaded up ahead of the 2H peak. Critically, growth in Branded Consumer (BC) in Thailand (+2%), Myanmar (+15-20%) and Singapore (+1%) was consistent. As expected, Malaysia (13% of BC sales), the Philippines (4%) and Eastern Europe were weak.

2H15 new launches

We expect catch-up in 2H on stronger seasonality and as BC products are launched in major markets. No new products were launched in 1Q. Super plans to launch more in 2H in Thailand, Myanmar, the Philippines and China. These would include four new flavoured coffee mixes for China alone.

Changes in assumptions

1Q15's 20% tax rate was higher than expected. We now assume a flat 20% vs a gradual rise to 20% previously. We cut FY15-17 by 4-5%. We have also modelled in 30-40% falls in Malaysia revenue in 2Q-3Q15 post-GST and a 10% drop in Myanmar's kyat in Apr. On the plus side, coffee, the largest input, has continued to slide. Similarly with sugar. Hydrogenated palm kernel oil prices spiked in Jan-Mar to over USD1,100/ton but have since retreated.

Maintain BUY, TP lowered to SGD1.57

Super remains on track for a full-year earnings recovery. 2H15 will likely be stronger than 1H15, coinciding with higher seasonality and concerted launch of new premium products. We lower our TP to SGD1.57, on 1SD to its 5-year P/E mean of 16x.

FYE Dec (SGD m)	FY13A	FY14A	FY15E	FY16E	FY17E
Revenue	557.0	539.5	574.5	632.1	697.0
EBITDA	131.9	98.6	118.6	135.1	158.7
Core net profit	79.7	62.3	72.9	87.2	103.9
Core FDEPS (cts)	7.1	5.6	6.5	7.8	9.3
Core FDEPS growth(%)	0.8	(21.9)	17.1	19.6	19.2
Net DPS (cts)	4.5	3.1	4.5	4.5	4.5
Core FD P/E (x)	18.8	24.1	20.6	17.2	14.4
P/BV (x)	3.2	3.0	2.9	2.7	2.5
Net dividend yield (%)	3.3	2.3	3.3	3.3	3.3
ROAE (%)	18.4	12.9	14.3	16.2	17.8
ROAA (%)	14.0	10.1	11.4	13.0	14.3
EV/EBITDA (x)	15.5	12.3	11.9	10.2	8.4
Net debt/equity (%)	net cash	net cash	net cash	net cash	net cash

Key Data

52w high/low (SGD)	1.55/0.72
3m avg turnover (USDm)	1.7
Free float (%)	38.9
Issued shares (m)	1,115
Market capitalization	SGD1.5B
Major shareholders:	
-GOI SENG HUI SAM	15.0%
-TE LAY HOON	12.1%
-TEO KEE BOCK	11.7%

Share Price Performance



— Super Group - (LHS, SGD) — Super Group / Straits Times Index - (RHS, %)

	1 Mth	3 Mth	12 Mth
Absolute(%)	(10.0)	13.5	(16.7)
Relative to index (%)	(9.2)	12.7	(22.0)

Maybank vs Market

	Positive	Neutral	Negative
Market Recs	2	2	3
	Maybank Consensus		% +/-
Target Price (SGD)	1.57	1.43	9.8
'15 PATMI (SGDm)	73	65	11.7
'16 PATMI (SGDm)	87	73	19.5

Source: FactSet; Maybank

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Figure 1: 1Q15 results

FYE Dec (SGD m)	1Q15	4Q14	1Q14	YoY %	QoQ %	Old MBKE FY15E	YTD as % of FY15E	Remarks
Revenue	121.7	153.7	124.6	(2.4)	(20.8)	590.9	21	Down on lower BC , offset by stronger FI
Gross profit	43.9	54.5	46.7	(6.0)	(19.3)	223.1	20	
Selling & distribution exp	(13.9)	(19.6)	(13.3)	4.6	(29.2)	(76.0)	18	
General & admin exp	(13.7)	(14.4)	(13.5)	1.1	(4.8)	(61.9)	22	
Other expenses	0.0	0.2	0.0	nm	nm	0.0	na	
Other income	2.4	9.1	0.7	228.7	(74.1)	3.0	80	
EBITDA	24.9	34.0	24.3	2.5	(26.6)	111.7	22	
Depr & amortisation	(6.2)	(4.1)	(3.7)	68.5	49.3	(23.6)	26	Higher on larger fixed-asset base from past expansion
EBIT	18.8	29.8	20.7	(9.3)	(37.1)	88.1	21	
Fair value loss	(0.2)	0.0	0.4	nm	nm	3.5	(6)	
Interest expense	(0.1)	(0.1)	(0.0)	nm	nm	(0.3)	19	
Share of associates	(0.2)	(0.1)	(0.3)	nm	nm	(0.6)	29	
Pretax profit	18.3	29.7	20.8	(11.8)	(38.2)	90.8	20	
Taxation	(3.7)	(2.9)	(2.1)	74.8	30.6	(10.9)	34	Higher on expiry of tax incentives for key Malaysian subsidiary
Minority interests	(0.9)	(0.9)	(0.8)	16.3	8.9	(2.6)	36	
Net profit	13.6	25.9	17.8	(23.5)	(47.4)	77.2	18	
Core net profit	13.6	19.4	17.8	(23.5)	(29.8)	77.2	18	

	1Q15	4Q14	1Q14	YoY ppt	QoQ ppt	Remarks
Gross margin (%)	36.1	35.4	37.5	(1.4)	0.7	Down YoY on higher contributions from lower-margin FI
Tax rate (%)	20.5	9.7	10.3	10.1	10.8	Higher-than-expected on expiry of tax incentives for key Malaysian subsidiary
Net cash (SGD m)	85.0	84.5	97.0			
Cash collection cycle (days)	133.6	78.8	84.1			
Inventory days	84.7	67.4	72.4			Higher on greater stocking of cheaper raw materials
Receivable days	93.3	58.0	63.5			
Payable days	44.3	46.5	51.8			
Operating cashflow (SGD m)	5.6	27.0	5.7			
Capex (SGD m)	(9.1)	(5.7)	(11.3)			Owl factory in Singapore relocated to Vietnam
Free cashflow (SGD m)	(3.5)	21.3	(5.6)			

Segmental breakdown (SGD m)	1Q15	4Q14	1Q14	YoY %	QoQ %	Old MBKE FY15E	YTD as % of FY15E	Remarks
Group revenue	121.6	153.7	124.6	(2.4)	(20.9)	590.9	21	Down mainly on lower BC sales, offset by stronger FI
Branded consumer	84.2	97.2	88.6	(5.0)	(13.4)	378.2	22	BC down 5% YoY due to lower Malaysia and Philippines
- South-east Asia	69.1	78.3	72.9	(5.2)	(11.7)	311.5	22	Thailand +2%, Myanmar +15-20%, Malaysia -5-7%, Singapore flat
- East Asia (China)	10.6	8.3	8.7	21.8	27.7	34.6	31	China did very well, up on strong cereal sales in Tier-1 cities
- Others	4.5	10.6	7.0	(35.7)	(57.5)	32.1	14	Down on weak exports to Eastern Europe, mainly Russia
Food ingredients	37.4	56.5	36.0	3.9	(33.8)	212.6	18	
- South-east Asia	17.3	27.6	14.9	16.1	(37.3)	115.1	15	Benefited from stronger loading by SEA consumer companies in preparation for stronger 2H
- East Asia (China/Taiwan)	19.9	28.5	20.9	(4.8)	(30.2)	97.5	20	Flat on weaker Taiwan
- Others	0.2	0.4	0.2	0.0	nm	nm	na	

Source: Company, Maybank KE

FYE 31 Dec	FY13A	FY14A	FY15E	FY16E	FY17E
Key Metrics					
P/E (reported) (x)	15.0	21.8	20.6	17.2	14.4
Core P/E (x)	18.8	24.1	20.6	17.2	14.4
Core FD P/E (x)	18.8	24.1	20.6	17.2	14.4
P/BV (x)	3.2	3.0	2.9	2.7	2.5
P/NTA (x)	3.2	3.0	2.9	2.7	2.5
Net dividend yield (%)	3.3	2.3	3.3	3.3	3.3
FCF yield (%)	1.0	1.5	4.7	4.9	5.8
EV/EBITDA (x)	15.5	12.3	11.9	10.2	8.4
EV/EBIT (x)	17.4	14.9	15.1	12.8	10.4
INCOME STATEMENT (SGD m)					
Revenue	557.0	539.5	574.5	632.1	697.0
Gross profit	209.5	189.6	210.6	240.2	264.9
EBITDA	131.9	98.6	118.6	135.1	158.7
Depreciation	(14.8)	(17.0)	(25.3)	(27.2)	(29.9)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	117.2	81.6	93.3	107.9	128.7
Net interest income / (exp)	(0.2)	0.3	2.2	3.1	3.4
Associates & JV	(2.4)	(0.6)	(0.6)	1.9	2.1
Exceptionals	(53.9)	(56.2)	(59.2)	(63.2)	(72.8)
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	114.5	81.3	94.9	113.0	134.2
Income tax	(11.1)	(9.8)	(19.1)	(22.6)	(26.8)
Minorities	(3.4)	(2.8)	(2.9)	(3.2)	(3.5)
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	99.9	68.8	72.9	87.2	103.9
Core net profit	79.7	62.3	72.9	87.2	103.9
BALANCE SHEET (SGD m)					
Cash & Short Term Investments	100.9	104.5	124.3	150.4	190.2
Accounts receivable	94.6	99.0	107.1	121.2	139.4
Inventory	101.6	115.1	116.5	135.1	156.6
Property, Plant & Equip (net)	250.6	276.3	266.3	249.1	229.2
Intangible assets	3.0	3.0	3.0	3.0	3.0
Investment in Associates & JVs	19.4	7.6	7.6	7.6	7.6
Other assets	28.9	25.6	26.5	28.5	30.8
Total assets	599.1	631.1	651.4	695.0	756.8
ST interest bearing debt	0.2	20.2	15.0	10.0	5.0
Accounts payable	84.7	79.5	78.7	86.6	95.5
LT interest bearing debt	0.2	0.0	0.0	0.0	0.0
Other liabilities	27.0	14.0	17.0	19.0	21.0
Total Liabilities	112.5	114.1	111.0	115.5	121.4
Shareholders Equity	466.9	497.6	520.3	557.3	611.0
Minority Interest	19.7	19.5	20.1	22.1	24.4
Total shareholder equity	486.6	517.0	540.4	579.4	635.4
Perpetual securities	0.0	0.0	0.0	0.0	0.0
Total liabilities and equity	599.1	631.1	651.4	695.0	756.8
CASH FLOW (SGD m)					
Pretax profit	114.5	81.3	94.9	113.0	134.2
Depreciation & amortisation	14.8	17.0	25.3	27.2	29.9
Adj net interest (income)/exp	0.2	(0.3)	(2.2)	(3.1)	(3.4)
Change in working capital	(32.9)	(18.7)	(11.2)	(26.8)	(33.1)
Cash taxes paid	(9.7)	(10.7)	(22.0)	(24.3)	(28.8)
Other operating cash flow	(20.0)	(6.6)	0.6	(1.9)	(2.1)
Cash flow from operations	66.8	62.0	85.4	84.0	96.8
Capex	(51.4)	(39.6)	(15.0)	(10.0)	(10.0)
Free cash flow	15.4	22.4	70.4	74.0	86.8
Dividends paid	(39.6)	(50.2)	(50.2)	(50.2)	(50.2)
Equity raised / (purchased)	0.0	0.0	(0.0)	0.0	0.0
Perpetual securities	0.0	0.0	0.0	0.0	0.0
Change in Debt	(0.2)	19.6	(5.3)	(5.0)	(5.0)
Perpetual securities distribution	0.0	0.0	0.0	0.0	0.0
Other invest/financing cash flow	8.7	9.0	(0.2)	(0.1)	(0.1)
Effect of exch rate changes	2.0	2.1	5.3	7.1	8.0
Net cash flow	(13.7)	2.8	20.1	25.8	39.5

FYE 31 Dec	FY13A	FY14A	FY15E	FY16E	FY17E
Key Ratios					
Growth ratios (%)					
Revenue growth	7.3	(3.2)	6.5	10.0	10.3
EBITDA growth	30.1	(25.3)	20.3	13.9	17.4
EBIT growth	30.4	(30.3)	14.3	15.7	19.2
Pretax growth	25.4	(29.0)	16.6	19.1	18.8
Reported net profit growth	26.4	(31.2)	6.0	19.6	19.2
Core net profit growth	0.9	(21.9)	17.1	19.6	19.2
Profitability ratios (%)					
EBITDA margin	23.7	18.3	20.6	21.4	22.8
EBIT margin	21.0	15.1	16.2	17.1	18.5
Pretax profit margin	20.6	15.1	16.5	17.9	19.3
Payout ratio	50.2	50.3	68.8	57.6	48.3
DuPont analysis					
Net profit margin (%)	17.9	12.7	12.7	13.8	14.9
Revenue/Assets (x)	0.9	0.9	0.9	0.9	0.9
Assets/Equity (x)	1.3	1.3	1.3	1.2	1.2
ROAE (%)	18.4	12.9	14.3	16.2	17.8
ROAA (%)	14.0	10.1	11.4	13.0	14.3
Liquidity & Efficiency					
Cash conversion cycle	56.9	91.6	100.8	104.6	113.0
Days receivable outstanding	61.5	64.6	64.6	65.0	67.3
Days inventory outstanding	95.5	111.5	114.5	115.6	121.5
Days payables outstanding	100.1	84.5	78.2	75.9	75.8
Dividend cover (x)	2.0	2.0	1.5	1.7	2.1
Current ratio (x)	3.1	3.2	3.7	4.1	4.7
Leverage & Expense Analysis					
Asset/Liability (x)	5.3	5.5	5.9	6.0	6.2
Net debt/equity (%)	net cash	net cash	net cash	net cash	net cash
Net interest cover (x)	nm	na	na	na	na
Debt/EBITDA (x)	0.0	0.2	0.1	0.1	0.0
Capex/revenue (%)	9.2	7.3	2.6	1.6	1.4
Net debt/ (net cash)	(100.5)	(84.2)	(109.3)	(140.4)	(185.2)

Source: Company; Maybank

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