

The Straits Trading Company Ltd

Bloomberg: STRTR SP | Reuters: STCM.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

22 Feb 2021

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BUY

Last Traded Price (19 Feb 2021): S\$2.77 (STI : 2,880.64)

Price Target 12-mth: S\$3.90 (41% upside) (Prev S\$3.50)

Analyst

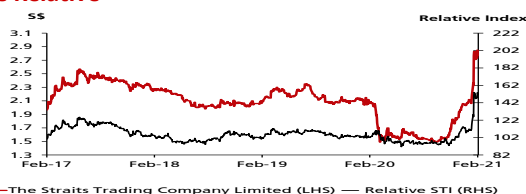
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What's New

- Increase our valuation for ARA to S\$5.0bn, from S\$3.8bn previously
- "Crown Jewel" ARA could be worth up to S\$6.4bn in our most bullish case
- ARA's relisting will be a key catalyst for STC
- Maintain BUY with a higher TP of S\$3.90

Price Relative



Forecasts and Valuation

FY Dec (\$m)	2019A	2020F	2021F	2022F
Revenue	364	306	405	417
EBITDA	138	109	95.2	105
Pre-tax Profit	129	75.2	83.3	80.2
Net Profit	84.4	54.3	60.1	57.9
Net Pft (Pre Ex.)	57.5	48.4	29.0	39.7
Net Pft Gth (Pre-ex) (%)	40.3	(15.8)	(40.1)	37.0
EPS (S cts)	20.7	13.3	14.8	14.2
EPS Pre Ex. (S cts)	14.1	11.9	7.11	9.74
EPS Gth Pre Ex (%)	41	(16)	(40)	37
Diluted EPS (S cts)	20.7	13.3	14.8	14.2
Net DPS (S cts)	6.00	6.00	6.00	6.00
BV Per Share (S cts)	373	380	389	397
PE (X)	13.4	20.8	18.8	19.5
PE Pre Ex. (X)	19.6	23.3	38.9	28.4
P/Cash Flow (X)	40.5	18.0	nm	nm
EV/EBITDA (X)	12.8	15.1	17.7	16.1
Net Div Yield (%)	2.2	2.2	2.2	2.2
P/Book Value (X)	0.7	0.7	0.7	0.7
Net Debt/Equity (X)	0.3	0.2	0.2	0.2
ROAE (%)	5.7	3.5	3.8	3.6
Earnings Rev (%)		2	5	5

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

Diving into ARA's potential

Investment Thesis:

Trading below replacement costs. We see compelling value in STC, trading at just 0.7x P/NAV and an even steeper discount to its realisable value. We believe its two key components, ARA Asset Management (ARA) and Straits Real Estate (SRE), will continue to drive growth and value in the company.

ARA's relisting is a key catalyst and could be worth up to S\$6.4bn. With the impending listing of ARA in 2021/2022, we believe STC will benefit significantly. We are raising our valuation of ARA to S\$5.0bn (5% EV/AUM), from S\$3.8bn, pegged to historical REIT manager transactions. In our most bullish case, we believe ARA could be worth up to S\$6.4bn.

Core real estate business churns out stable recurring cashflows. The Group's real estate arm, SRE, has been timely in its real estate investments, amassing a portfolio of quality commercial and logistics assets with an estimated initial yield of 6.5%. The Group remains on track to grow its AUM to S\$2.4bn by 2022 from S\$1.8bn currently.

Valuation:

Maintain BUY with a higher TP of S\$3.90. We are raising our TP on the back of a higher valuation of S\$5.0bn for ARA. Our TP is based on a sum-of-the-parts (SOTP) valuation method and a 40% holding company discount. The bulk of our valuation stems from SRE (S\$2.26/share) and ARA (S\$2.73).

Where we differ:

We are the only brokerage covering this stock and we see deep value in its investments.

Key Risks to Our View:

Revaluation losses on its properties, disruption to Malaysian Smelting Corporation and Far East Hospitality Holdings.

At A Glance

Issued Capital (m shrs)	407
Mkt. Cap (S\$m/US\$m)	1,127 / 851
Major Shareholders (%)	
Cairns Pte Ltd/The	70.2
Standard Life Aberdeen PLC	5.0
Free Float (%)	20.8
3m Avg. Daily Val (US\$m)	0.40
GIC Industry : Real Estate / Real Estate Management &	



Live more, Bank less

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WHAT'S NEW

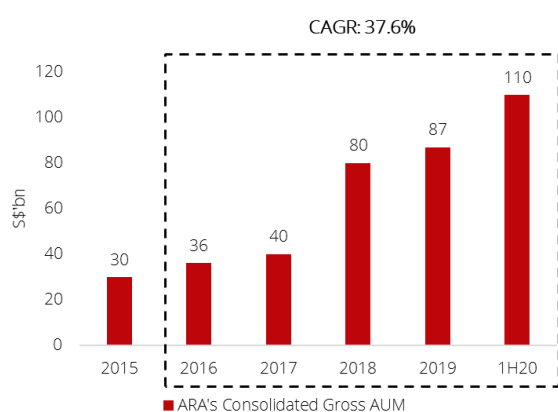
ARA - The sky is the limit

ARA – The “Crown Jewel” in STC’s portfolio. ARA Asset Management is a leading APAC real assets fund manager with a global reach. Since its delisting in 2017, ARA has grown at an astronomical pace and expanded its offering beyond real estate private funds and REITs, and now includes listed and unlisted REITs, private real estate equity and credit funds, and infrastructure funds in its staple of products.

As at 30 June 2020, the gross assets under management (AUM) by ARA and its associates amounted to S\$110bn across 28 countries. Looking ahead, we believe that the group’s AUM is on a firm growth trajectory.

ARA’s proactive deal sourcing and involvement has allowed it to accelerate its AUM. Since its delisting in 2017, ARA has been proactive in growing its portfolio. It has acquired multiple properties across various sectors and geographies, and has value-added to some of these properties through asset enhancement initiatives. ARA has also formed joint ventures and partnerships to leverage on the expertise and network of its partners. It also plays an active role in managing its investments. Its proactive approach has allowed it to grow its AUM at a CAGR of 37.6%, from S\$36bn in 2016 to S\$110bn in 1H20.

ARA’s Consolidated Gross AUM



Source: Company, DBS Bank

Strategic acquisitions of its key associates, Kenedix and Cromwell, in 2017 and 2018 respectively. In June 2017, ARA had acquired a 20.94% stake in Kenedix as it expanded its presence in Japan. It later acquired a 19.5%

stake in Cromwell Property Group in June 2018. Through its partnerships with Kenedix and Cromwell, ARA aims to accelerate its growth by offering new investment products as well as have access to new capital in Japan, Australia, and Europe.

Partial Acquisition of Kenedix and Cromwell

	Kenedix	Cromwell
Company Description	One of Japan’s largest independent real estate asset management companies	Australian-based real estate investment manager with assets in Australia, New Zealand, and Europe
Acquired stake	20.94%	19.5%
AUM as at 31 March 2018	JPY2 trillion	AUD11.2bn

Source: ARA, DBS Bank

Taking Cromwell into its own hands. In June 2020, ARA announced an intention to increase its stake in Cromwell to 53%, from 24%. It cited deteriorating operational performance, increased complexity, erratic strategy, and has become increasingly concerned with Cromwell’s overall governance and risk management.

This exposed ARA’s investment in Cromwell to unacceptable risks and it intends to acquire a majority stake in order to guide the group back towards growth. As the group’s largest shareholder, we believe that there are ample synergies that can be extracted over time.

Accelerating Kenedix – similarities with ARA’s privatisation.

In November 2020, Sumitomo Mitsui Finance and ARA announced a partnership to privatise Kenedix at JPY750 per share. ARA will increase its stake to 30%, from 20.3%, and Sumitomo will hold the remaining 70%. The privatisation would strengthen Kenedix REIT and its private placement fund business, enhance Kenedix’s access to credit and other fundraising channels, and expand its business into new areas such as tokenized real estate securities.

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We believe that the aim of the privatisation is to accelerate Kenedix's development, similar to ARA's privatisation in 2017. With its strategic investors, ARA and Sumitomo Mitsui Finance, the aim is to grow Kenedix's AUM by leveraging on the networks and expertise of its new shareholders. With Japan being a deep market for real estate opportunities, and with the right partner and product offering to capital partners, we believe Kenedix will be the next accelerator to grow AUM for the ARA.

We estimate ARA's effective AUM to be c.\$81bn as at June 2020. In 1H20, ARA reported an AUM of S\$110bn. This included the total managed AUM of its associates. Based on the AUM of its associates and ARA's interest in its associates, we estimated ARA's AUM ex-associates to be S\$72.9bn and its effective AUM at S\$80.8bn as at 1H20.

ARA's Effective AUM from its Associates*

Associate	Kenedix	Cromwell
AUM (S\$'bn)	25.4	11.7
ARA's Interest	20.3%	23.6%
ARA's Effective AUM (S\$'bn)	5.1	2.8

Source: ARA, Kenedix, Cromwell Property Group, Company, DBS Bank Estimates

*As at 30 June 2020

Calculation of ARA's Effective AUM*

Calculation	Value (S\$'bn)
ARA's Group AUM	110
Less: Associates' AUM	(37.1)
ARA ex-associates AUM	72.9
Add: Effective AUM from Kenedix	5.1
Add: Effective AUM from Cromwell	2.8
ARA's effective AUM	80.8

Source: ARA, Kenedix, Cromwell Property Group, Company, DBS Bank Estimates

*As at 30 June 2020

Our previous estimate of ARA's listing valuation was too conservative relative to peers and historical REIT transactions. ARA's peers are currently trading at 19-20x 1Yr Forward EV/EBITDA. Our previous assumption of 18.0x was conservative. On an EV/effective AUM valuation basis, our estimate of S\$3.8bn for ARA was too conservative.

Assuming ARA's effective AUM grows at a CAGR of 18% from S\$80.8bn to S\$103.6bn in 2021, our estimate of a listing valuation of S\$3.8bn implies an EV/effective AUM of 3.8%, which is significantly below its peers who are currently trading at c.7-22% EV/AUM.

In addition, a quick look at previous real estate manager transactions in Singapore unveiled that equity value/AUM multiples range between 4.1% to 7.1%, implying that fair market values for ARA could be closer to those levels.

Revise ARA's valuation to S\$5.0bn, from S\$3.8bn. As our previous estimate was too conservative, we are raising our estimated valuation of ARA to S\$5.0bn, from S\$3.8bn. Our new valuation is based on a 5.0% EV/Effective AUM valuation metric, with an effective AUM of S\$104bn in FY2021F.

This target AUM implies a CAGR of 18.2% and we believe that this is achievable as 1) we estimate that it managed to grow its effective AUM at a CAGR of 32.8% from its delisting in 2017 to 1H20, and 2) the improving COVID-19 situation will allow for increased deal flow.

ARA's Valuation Based on Precedent Transactions

Date	2007 IPO	2017 Delisting	2Q20 Divestment	2021F (Old)	2021F (New)
Valuation method	Book-building	EV/AUM, EV/EBITDA	N.A.	SOTP, EV/EBITDA	EV/Effective AUM
AUM (S\$bn)	7.2	30.0	110.0	138.1	104.0 [^]
EV/AUM	9.3%	6.0%	2.7%	2.7%	5.0%
EV/Forward EBITDA	16.4x	15.5x*	17.4x	18.0x	22.9x
1Y Forward P/E	18.2x	18.3x	11.2x	17.2x	20.1x
Equity Valuation (S\$m)	669	1,775	2,745	3,810	5,041
STC's Interest	0.0%	21.0%	21.0%	22.1%	22.1%
Equity Value Attributable to STC (S\$m)	N.A.	371.9	605.4	840	1,111
Attributable Value to STC Per Share	N.A.	S\$0.96	S\$1.49	S\$2.06	S\$2.73

Source: Company, DBS Bank Estimates

*Consensus was 18.2x during its 2017 privatisation

[^]Effective AUM

ARA's Peers

Company Name	Description	Market Cap (S\$m)	AUM	EV/AUM	1Y Forward EV/EBITDA
Gresham House	Gresham House is a specialist alternative asset management business that delivers a range of sustainable investment products across real assets, public and private equity, that aim to meet the long-term objectives of its clients and shareholders	490	EUR2.8bn	6.7%	20.3x
Centuria Capital Group	Centuria Capital Group is an Australasian specialist fund manager of real estate and investment bonds. Its assets comprise of commercial office, industrial, and healthcare sectors throughout Australia and New Zealand.	1,434	AUD9.4bn	21.7%	20.7x
Blackstone Group	Blackstone is an investment company focusing on real estate, hedge funds, private equity, leveraged lending, senior debts, and rescue financing.	83,857	USD80.9tn	13.1%	18.7x

Source: Various companies' websites, Bloomberg Finance L.P., DBS Bank

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Historical REIT Manager Transactions

	Manager	Acquirer	Target AUM (S\$m)	Equity Value (S\$m)	Equity / AUM
2019	Sabana REIT Pte Ltd	Infinity Sub Pte Ltd (ESR)	929	38	4.1%
2019	IREIT Global Group Pte Ltd	City Developments Ltd	770	37	4.8%
2018	Bowsprit Capital Corp	OUE Ltd	1,349	59	4.4%
2018	Viva Industrial Trust Mgmt Pte Ltd	ESR Funds Mgmt (S) Ltd	1,285	62	4.8%
2017	Keppel-KBS US REIT Mgmt Pte Ltd	Keppel Corp	1,132	75	6.6%
2017	Fortress Investment Group LLC	Softbank Group	99,577	4,688	4.7%
2017	Cambridge Industrial Trust Mgmt	e-shang Infinity (ESR)	1,354	44	3.2%
2017	ARA Asset Mgmt Limited	Warburg Pincus, Straits Trading Co, CK Asset Holdings, AVIC Trust, JL Investment Group	30,000	1,775	6.0%
2016	IREIT Global Group Pte Ltd	Tikehau Invest	678	21	3.1%
2016	Keppel DC REIT Mgmt Pte Ltd	Keppel Capital	1,071	76	7.1%
Average			13,815	688	4.9%

Source: Various companies' websites, DBS Bank Estimates

Based on our sensitivity analysis, ARA could be priced at **S\$6.4bn in our most bullish case**. We conducted a sensitivity analysis on ARA's potential valuation using two valuation metrics: EV/AUM and EV/EBITDA. Even in our most bearish case, ARA is priced at S\$3.7bn, and we arrive at a TP of S\$3.46 for STC.

In our most bullish case, we obtained a S\$6.4bn valuation for ARA using 22% CAGR on its AUM, representing an effective AUM of S\$109.1bn, and 6.0% EV/AUM valuation. This translates to a fair value of S\$4.33 for STC.

We think that the bullish valuation is possible given it was delisted at 6.0% EV/AUM and that its effective AUM has grown at a CAGR of 32.7% since its delisting in 2017.

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EV/AUM x AUM CAGR Sensitivity Analysis

ARA's Equity Value (\$'bn)

		ARA's Effective AUM CAGR from 1H20 to 2021F				
		14.0%	16.0%	18.0%	20.0%	22.0%
EV/AUM	4.0%	3.8	3.9	4.0	4.1	4.2
	4.5%	4.3	4.4	4.5	4.6	4.7
	5.0%	4.8	4.9	5.0	5.2	5.3
	5.5%	5.3	5.4	5.5	5.7	5.8
	6.0%	5.8	5.9	6.1	6.2	6.4

STC's Target Price

		ARA's Effective AUM CAGR from 1H20 to 2021F				
		14.0%	16.0%	18.0%	20.0%	22.0%
EV/AUM	4.0%	3.49	3.52	3.55	3.59	3.62
	4.5%	3.65	3.69	3.72	3.76	3.80
	5.0%	3.81	3.85	3.89	3.94	3.98
	5.5%	3.97	4.01	4.06	4.11	4.16
	6.0%	4.13	4.18	4.23	4.28	4.33

Source: ARA, DBS Bank Estimates

Maintain BUY with a higher TP of S\$3.90; re-iterate STC's deep value. With ARA's relisting imminent, our sensitivity analysis reflects the potential impact that ARA's relisting could have on STC. We continue to see deep value in STC's investments and believe the market is applying a huge discount due to its complex corporate structure.

Our TP of S\$3.90 is based on a SOTP valuation method aggregating its interest in Malaysia Smelting Corporation, Straits Real Estate, ARA, its Property Portfolio, its holdings in Suntec REIT units, and Far East Hospitality Holdings.

We are raising our TP on STC to S\$3.90, from S\$3.50 previously, on a higher valuation for ARA. We lifted our valuation on ARA to S\$5.0bn, from S\$3.8bn previously as we believe our previous estimate was too conservative

EV/EBITDA x Forward EBITDA CAGR Sensitivity Analysis

ARA's Equity Value (\$'bn)

		ARA's EBITDA CAGR from 1H20 to 2022F				
		5.0%	7.5%	10.0%	12.5%	15.0%
EV/EBITDA	18.0x	3.7	3.9	4.0	4.2	4.4
	18.5x	3.8	3.9	4.1	4.3	4.5
	19.0x	3.8	4.0	4.2	4.4	4.5
	19.5x	3.9	4.1	4.3	4.4	4.6
	20.0x	4.0	4.2	4.3	4.5	4.7

STC's Target Price

		ARA's EBITDA CAGR from 1H20 to 2022F				
		5.0%	7.5%	10.0%	12.5%	15.0%
EV/EBITDA	17.0x	3.46	3.51	3.56	3.62	3.67
	17.5x	3.48	3.53	3.59	3.65	3.70
	18.0x	3.51	3.56	3.62	3.67	3.73
	18.5x	3.53	3.58	3.64	3.70	3.76
	19.0x	3.55	3.61	3.67	3.73	3.79

relative to peers and historical REIT transactions. Our new valuation is pegged to a 5.0% EV/Effective AUM (average of historical REIT manager transactions) and assumes an FY2021F effective AUM of S\$104bn.

Company Background

The Straits Trading Company Limited (STC) was incorporated in Singapore in 1887 and is an investment company with diversified interests across Asia Pacific in real estate, hospitality, and resources.

Its notable and key investments include Straits Real Estate Pte Ltd (SRE), Malaysia Smelting Corporation Bhd (MSC), Far East Hospitality Holdings Pte Ltd (FEHH), and ARA Asset Management Limited (ARA).

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ARA's Key Corporate Actions Since its Delisting in 2017

Date	Key Corporate Action
Jun 2017	Set up ARA Japan Desk
Nov 2017	Acquired a stake in Kenedix
Mar 2018	Set up ARA Europe Desk
Apr 2018	Set up ARA Infrastructure, a global infrastructure fund based in Singapore
Jun 2018	Acquired stake in Cromwell Property Group
Sep 2018	Increased its stake in Cache Logistics Trust to 9.2%, from 5.12% in August 2018
Dec 2018	Acquired a portfolio of 38 Select Service Hyatt Hotels, marking its maiden entry in the US market
Dec 2018	Unveiled Century Link Mall, a landmark retail development in Shanghai, China
Jan 2019	Formed a 50-50 JV with Chesfield Asia to jointly acquire 51 Bras Basah Road (Manulife Centre)
Feb 2019	Acquired Seoul Square, a prime office building in Seoul, Korea
Mar 2019	Acquired 133 Mary Street, a B-Grade office and single-level retail building, in Brisbane, Australia
May 2019	Launched the listing of ARA US Hospitality Trust on SGX
Jul 2019	Established JV with London-based Dunedin Property Asset Management to invest in and manage real estate assets in the UK
Dec 2019	Entered into a strategic transaction with LOGOS Group
Dec 2019	Partnered with Straits Real Estate and ICBC International to acquire Sanlin InCity in Shanghai, China
Dec 2019	Established JV with Venn Partners to invest in the real estate credit market in Europe
Dec 2019	Acquired Robinson Centre, an office building at 61 Robinson Road Singapore
Feb 2020	Formed a JV with QuadReal Property Group to acquire 200 Victoria Parade in East Melbourne, Australia
Mar 2020	Acquired a majority stake in LOGOS to grow its logistics platform
Mar 2020	Acquired a majority stake in Venn Partners to grow its real estate credit platform
May 2020	Acquired a majority stake in Minterest, a Singapore-based crowdfunding platform
Nov 2020	Acquired Parc1 Tower II, a landmark office tower in Seoul, Korea
Nov 2020	Formed a 50-50 JV with Chelsfield to enhance 5One Central (formerly known as Manulife Centre)

Source: ARA, DBS Bank

STC's SOTP Valuation

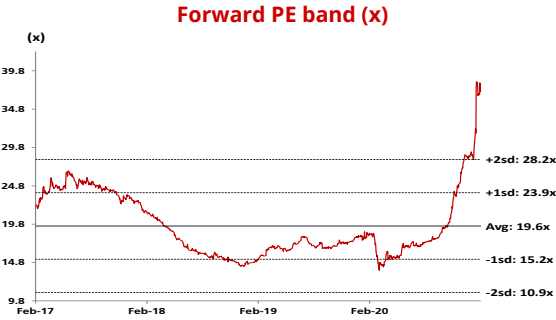
Component	Relationship	STC's Interest	Valuation Method	Valuation Attributable to STC (S\$m)	Value per Share (S\$)
Malaysia Smelting Corporation	Subsidiary	54.8%	P/E	92	0.23
Straits Real Estate	Subsidiary	89.5%	RNAV	920	2.26
ARA Asset Management Limited	Associate	22.1%	EV/Effective AUM	1,111	2.73
STC's Property Portfolio	Investment Properties	N.A.	RNAV	204	0.50
Suntec REIT Units	Investment Securities	N.A.	DBS' Target Price	148	0.36
Far East Hospitality Holdings	Joint Venture	30.0%	RNAV	167	0.41
Total				2,644	6.49
40% Holding Company Discount				(1,057)	(2.60)
STC's Valuation				1,586	3.90*

Source: Malaysia Smelting Corporation, ARA Asset Management Limited, URA, Bloomberg Finance L.P., Company, DBS Bank Estimates

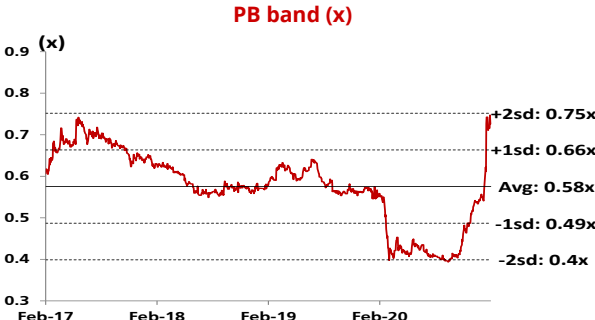
*Rounding difference

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Historical PE and PB Band



Source: Bloomberg Finance L.P., DBS Bank estimates



Source: Bloomberg Finance L.P., DBS Bank estimates

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Income Statement (\$m)

FY Dec	2018A	2019A	2020F	2021F	2022F
Revenue	456	364	306	405	417
Cost of Goods Sold	(380)	(272)	(224)	(310)	(318)
Gross Profit	76.2	91.9	82.9	95.6	98.2
Other Opng (Exp)/Inc	(5.8)	(7.3)	(13.9)	(59.9)	(57.8)
Operating Profit	70.4	84.6	69.0	35.7	40.3
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	25.7	45.5	31.2	50.3	55.0
Net Interest (Exp)/Inc	(27.2)	(27.7)	(31.0)	(33.9)	(33.4)
Exceptional Gain/(Loss)	30.7	26.9	5.94	31.2	18.2
Pre-tax Profit	99.7	129	75.2	83.3	80.2
Tax	(17.0)	(29.0)	(12.6)	(13.9)	(13.4)
Minority Interest	(11.0)	(16.0)	(8.3)	(9.2)	(8.9)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	71.7	84.4	54.3	60.1	57.9
Net Profit before Except.	41.0	57.5	48.4	29.0	39.7
EBITDA	103	138	109	95.2	105
Growth					
Revenue Gth (%)	(3.7)	(20.3)	(15.7)	32.2	2.8
EBITDA Gth (%)	33.1	34.6	(21.1)	(12.7)	10.3
Opg Profit Gth (%)	108.1	20.3	(18.5)	(48.3)	12.9
Net Profit Gth (Pre-ex) (%)	8.5	40.3	(15.8)	(40.1)	37.0
Margins & Ratio					
Gross Margins (%)	16.7	25.3	27.0	23.6	23.6
Opg Profit Margin (%)	15.4	23.3	22.5	8.8	9.7
Net Profit Margin (%)	15.7	23.2	17.7	14.8	13.9
ROAE (%)	4.9	5.7	3.5	3.8	3.6
ROA (%)	2.9	3.2	2.0	2.1	2.0
ROCE (%)	0.6	1.2	0.6	(0.2)	0.2
Div Payout Ratio (%)	34.1	29.0	45.0	40.6	42.2
Net Interest Cover (x)	2.6	3.1	2.2	1.1	1.2

Source: Company, DBS Bank

Increase in other operating expenses is due to a decline in interest income contribution from notes issued by a joint venture

We are forecasting exceptional gains due to fair value gains on its investment properties

Decline in contribution as its associates/JVs record fair value losses on their properties and impact on net profits from COVID-19

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Balance Sheet (\$m)

FY Dec	2018A	2019A	2020F	2021F	2022F
Net Fixed Assets	38.3	43.6	40.1	36.1	31.6
Invts in Associates & JVs	774	792	787	802	821
Other LT Assets	1,209	1,172	1,114	1,144	1,162
Cash & ST Invts	294	376	708	662	658
Inventory	163	153	130	180	185
Debtors	8.80	5.53	5.74	8.05	8.28
Other Current Assets	90.2	107	107	107	107
Total Assets	2,576	2,649	2,892	2,940	2,973
ST Debt	247	210	258	254	251
Creditor	75.3	54.6	53.4	74.0	76.1
Other Current Liab	8.23	9.57	16.1	17.4	16.9
LT Debt	617	660	812	797	789
Other LT Liabilities	29.8	45.6	45.6	45.6	45.6
Shareholder's Equity	1,467	1,519	1,548	1,584	1,618
Minority Interests	131	150	159	168	177
Total Cap. & Liab.	2,576	2,649	2,892	2,940	2,973
Non-Cash Wkg. Capital	178	202	174	204	208
Net Cash/(Debt)	(571)	(494)	(362)	(389)	(382)
Debtors Turn (avg days)	5.6	7.2	6.7	6.2	7.2
Creditors Turn (avg days)	71.1	89.9	91.8	77.4	88.7
Inventory Turn (avg days)	155.3	218.6	240.5	188.2	215.7
Asset Turnover (x)	0.2	0.1	0.1	0.1	0.1
Current Ratio (x)	1.7	2.3	2.9	2.8	2.8
Quick Ratio (x)	0.9	1.4	2.2	1.9	1.9
Net Debt/Equity (X)	0.4	0.3	0.2	0.2	0.2
Net Debt/Equity ex MI (X)	0.4	0.3	0.2	0.2	0.2
Capex to Debt (%)	37.3	(4.8)	(5.5)	0.4	0.4

Source: Company, DBS Bank

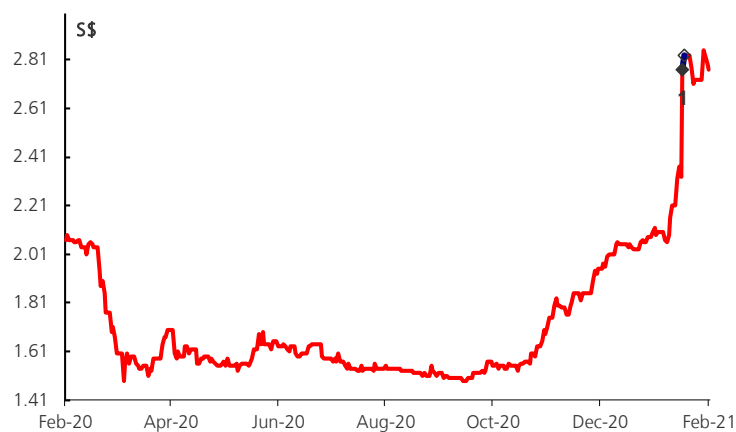
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Cash Flow Statement (\$m)

FY Dec	2018A	2019A	2020F	2021F	2022F
Pre-Tax Profit	99.7	129	75.2	83.3	80.2
Dep. & Amort.	6.62	8.08	8.82	9.21	9.60
Tax Paid	(8.0)	(9.2)	(6.1)	(12.6)	(13.9)
Assoc. & JV Inc/(loss)	(25.7)	(45.5)	(31.2)	(50.3)	(55.0)
Chg in Wkg.Cap.	(9.9)	(7.9)	21.8	(31.7)	(3.3)
Other Operating CF	(55.3)	(46.9)	(5.9)	(31.2)	(18.2)
Net Operating CF	7.40	27.9	62.5	(33.3)	(0.6)
Capital Exp.(net)	(323)	41.9	58.6	(4.7)	(4.7)
Other Invt.(net)	59.3	(17.4)	0.0	0.0	0.0
Invt in Assoc. & JV	14.2	10.9	0.0	0.0	0.0
Div from Assoc & JV	36.3	35.1	35.4	35.7	36.4
Other Investing CF	4.80	(1.4)	0.0	0.0	0.0
Net Investing CF	(208)	69.2	94.1	31.0	31.8
Div Paid	(27.2)	(29.3)	(24.4)	(24.4)	(24.4)
Chg in Gross Debt	105	8.44	200	(19.0)	(10.5)
Capital Issues	(0.6)	(1.5)	(0.6)	0.0	0.0
Other Financing CF	5.82	(8.8)	0.0	0.0	0.0
Net Financing CF	82.5	(31.1)	175	(43.4)	(34.9)
Currency Adjustments	0.52	(0.3)	0.0	0.0	0.0
Chg in Cash	(118)	65.6	332	(45.7)	(3.8)
Opg CFPS (S cts)	4.23	8.78	10.0	(0.4)	0.64
Free CFPS (S cts)	(77.3)	17.1	29.8	(9.3)	(1.3)

Source: Company, DBS Bank

Target Price & Ratings History



Note: Share price and Target price are adjusted for corporate actions.

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	04 Feb 21	2.77	3.50	BUY

Source: DBS Bank

Analyst: Wei Le CHUNG

Derek TAN

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DBS Bank recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

*Share price appreciation + dividends

Completed Date: 22 Feb 2021 06:57:27 (SGT)

Dissemination Date: 22 Feb 2021 07:35:58 (SGT)

Sources for all charts and tables are DBS Bank unless otherwise specified.

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