

Company Note

I Singapore

ADD (no change)

Consensus ratings*: Buy 1 Hold 0 Sell 0

Current price: S\$1.32

Target price:  S\$1.56

Previous target: S\$1.51

Up/downside: 18.5%

CIMB / Consensus: 3.2%

Reuters: SUND.SI

Bloomberg: SUNN.SP

Market cap: US\$176.1m

S\$247.3m

Average daily turnover: US\$0.14m

S\$0.19m

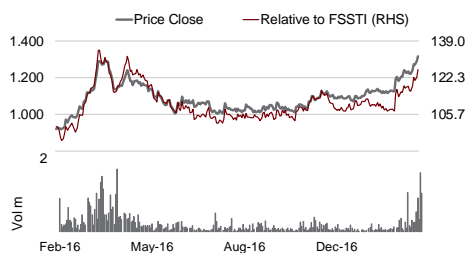
Current shares o/s: 188.1m

Free float: 64.3%

*Source: Bloomberg

Key changes in this note

- FY17F EPS increased by 20%.
- FY18F EPS increased by 19%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	16.9	17.9	54.7
Relative (%)	14.4	8.3	35.7

Major shareholders	% held
Koh Boon Hwee	8.5
Goi Seng Hui	8.2
Yarwood Engineering and Trading	8.2

Analyst(s)



William TNG, CFA

T (65) 6210 8676

E william.tng@cimb.com

Sunningdale Tech Ltd

Business environment still looks challenging

- FY16 core net profit was spot on at 100% of our full-year forecast.
- Although FY16 revenue growth was just 1.5% yoy, the automotive segment's revenue rose 12% yoy.
- Key one-off gains in FY16 were forex gain of S\$9.0m and gain on sale of PPE of S\$5.0m.
- Management remains cautious on the outlook for FY17.
- Maintain Add. Our target price is raised to S\$1.56 on unchanged 0.8x FY17 P/BV.

In-line FY16 results

FY16 core net profit was in line at 100% of our full-year forecast. Given earlier restructuring efforts, gross profit margin inched up to 13.8% in FY16 vs. 13.5% in FY15. The balance sheet also improved with net cash of S\$15.5m in FY16 (FY15: S\$1.1m). A pleasant surprise was the proposed higher DPS of S\$0.06 versus S\$0.05 in FY15.

Automotive segment still a key driver

The automotive segment continued to be the only segment with strong revenue growth. FY16 revenue growth for this segment was 12.0% yoy, driven by increased orders from new and existing customers. Sunningdale guided that its order backlog for this segment remained robust and growth could be the highest in this segment as earlier programmes by customers enter the production ramp stage.

Outlook still cautious

Management's outlook remains cautious. It noted that global growth stayed subdued while key challenges cited were 1) cost pressures from higher wages in Asia, and 2) pricing pressure from customers. The company's cost reduction effort with a new manufacturing plant in Chuzhou, China, is largely completed. To further manage production costs and support customers, Sunningdale will add a new manufacturing plant in Penang in 2017.

Maintain Add

We raise FY17-18F core EPS forecasts by 19-20% as we adjust for lower operating expenses given the success of its restructuring efforts. We also relax our core net profit definition and add S\$2.0m of other income forecasts into our estimates. Downside risks remain unfavourable exchange rates and pull-back in customers' orders. We maintain our Add call with a higher target price of S\$1.56, still based on a 0.8x (ROE: 6.8%, COE: 8.6%, zero growth) FY17 P/BV multiple.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (S\$m)	674.5	684.5	715.9	749.1	784.2
Net Profit (S\$m)	42.10	39.17	27.04	28.26	30.50
Core EPS (S\$)	0.24	0.22	0.15	0.16	0.17
Core EPS Growth	55.1%	(8.2%)	(30.2%)	4.3%	7.8%
FD Core P/E (x)	5.59	6.09	8.73	8.37	7.76
Price To Sales (x)	0.36	0.36	0.35	0.33	0.32
DPS (S\$)	0.050	0.060	0.060	0.060	0.060
Dividend Yield	3.80%	4.56%	4.56%	4.56%	4.56%
EV/EBITDA (x)	3.94	3.79	3.00	2.53	2.08
P/FCFE (x)	9.89	63.04	5.94	7.14	6.86
Net Gearing	(0.3%)	(4.0%)	(10.0%)	(15.6%)	(21.0%)
P/BV (x)	0.74	0.70	0.68	0.65	0.61
ROE	13.8%	11.9%	7.9%	7.9%	8.1%
% Change In Core EPS Estimates			19.7%	18.8%	
CIMB/consensus EPS (x)			1.11	1.16	

SOURCE: COMPANY DATA, CIMB FORECASTS

Figure 1: Results comparison**Results comparison**

FYE Dec (\$\$ m)	4QFY16	4QFY15	yoy % chg	qoq % chg	4QFY16 Cum	4QFY15 Cum	yoy % chg	Prev FY16F	Comments
Revenue	184	178	3.4	6.7	684	675	1.5	714	In line; Automotive segment grew 12.0% yoy.
Operating costs	(166)	(160)	3.9	8.1	(618)	(608)	1.6	(646)	In line.
EBITDA	18	18	(1.1)	(3.9)	66	66	0.4	68	
EBITDA margin (%)	10	10	(4.4)	(10.0)	10	10	(1.1)	10	Driven by cost efficiencies.
Deprn & amort.	(7)	(8)	(9.8)	(2.4)	(31)	(34)	(8.0)	(37)	In line.
EBIT	11	10	6.0	(4.9)	35	32	9.0	31	In line.
Interest expense	(1)	(1)	(35.9)	(21.3)	(4)	(4)	(12.2)	(4)	
Interest & invt inc	0	0	(65.9)	(24.4)	0	1	(24.0)	3	
Associates' contrib	0	0	(34.9)	(10.7)	1	1	5.0	1	
Exceptionals & other	14	-	na	496.3	14	13	8.1	(4)	FX effect and 1 time gains
Pretax profit	24	10	149.1	84.0	47	43	10.2	26	
Tax	(2)	4	na	(17.9)	(8)	(1)	na	(5)	
Tax rate (%)	9.5	credit	na	(55.4)	17	1.7	920.2	20.1	Distorted by one-off charges, tax credit.
Minority interests	-	-	na	na	-	-	na	-	
Net profit	22	13	63.6	111.5	39	42	(7.3)	21	In line.
Core net profit	8	13	(39.4)	0.9	25	29	(14.1)	25	In line.
EPS (cts)	11	7	62.3	109.9	21	23	(8.0)	11	
Core EPS (cts)	4	7	(39.9)	0.1	13	16	(14.7)	13	

SOURCE: CIMB RESEARCH, COMPANY

Figure 2: Earnings revisions

(\$\$m)	2016		2017F		2018F		2019F			
	Old	New	% chg	Old	New	% chg	Old	New	% chg	
Revenue	683.5	724.1	715.9	(1.1)	767.3	749.1	(2.4)	813.3	784.2	(3.6)
EBITDA	67.3	72.4	70.2	(3.0)	76.3	74.2	(2.8)	81.3	78.2	(3.8)
Net profit	25.2	22.2	27.0	21.8	23.4	28.3	20.8	26.2	30.5	16.4

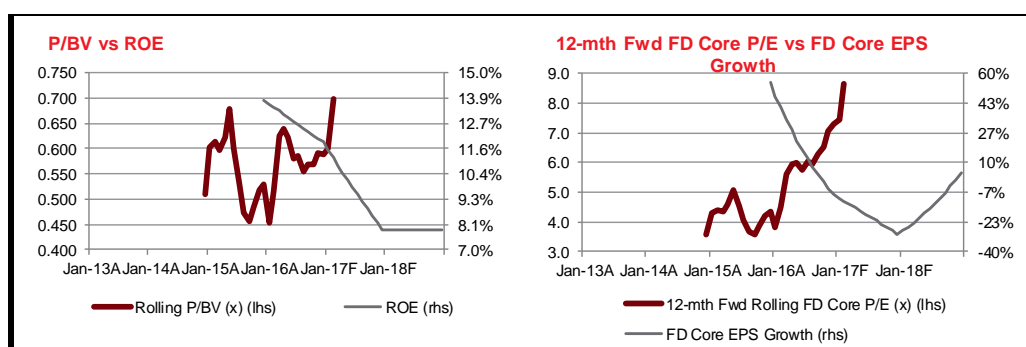
SOURCE: CIMB RESEARCH, COMPANY

Figure 3: Peers comparison

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	Core P/E (x) CY17F	Core P/E (x) CY18F	3-year EPS CAGR (%)	P/BV (x) CY17F	Recurring ROE (%) CY17F	Dividend Yield (%) CY17F
Sunningdale Tech Ltd	SUNN SP	ADD	1.32	1.56	176.1	8.7	8.4	-16.8%	0.68	7.8%	4.6%
Venture Corporation	VMS SP	Add	10.32	11.50	2,051.8	14.2	12.9	10.9%	1.42	10.0%	4.8%
Memtech International	MTEC SP	Add	0.65	0.76	65.2	7.8	6.7	27.0%	0.56	7.4%	5.1%
Valuetronics Holdings Ltd	VALUE SP	Add	0.68	0.72	184.7	9.8	9.1	11.7%	1.48	15.6%	5.3%
Fischer Tech Ltd	FISC SP	NR	1.88	NA	74.6	na	na	na	na	na	na
Fu Yu Corp Ltd	FUYU SP	NR	0.21	NA	112.5	10.5	10.5	12.6%	0.93	7.3%	9.3%
Hi-P International Ltd	HIP SP	NR	0.55	NA	316.0	na	na	na	na	na	na
Simple average (all co)						10.2	9.5	9.1%	1.01	9.6%	5.8%

SOURCE: CIMB RESEARCH, COMPANY

BY THE NUMBERS



Profit & Loss

(S\$m)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	674.5	684.5	715.9	749.1	784.2
Gross Profit	124.7	125.6	133.2	140.4	147.8
Operating EBITDA	61.8	61.3	70.2	74.2	78.2
Depreciation And Amortisation	(33.8)	(31.1)	(34.8)	(37.4)	(40.0)
Operating EBIT	28.0	30.2	35.4	36.8	38.2
Financial Income/(Expense)	(3.4)	(3.0)	(3.0)	(3.0)	(3.0)
Pretax Income/(Loss) from Assoc.	0.9	0.9	0.9	0.9	0.9
Non-Operating Income/(Expense)	17.3	19.2	2.0	2.0	2.0
Profit Before Tax (pre-EI)	44.5	48.9	37.0	38.4	39.8
Exceptional Items	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	42.8	47.3	35.3	36.7	38.1
Taxation	(0.7)	(8.2)	(8.3)	(8.4)	(7.6)
Exceptional Income - post-tax	0.0	0.0	0.0	0.0	0.0
Profit After Tax	42.1	39.2	27.0	28.3	30.5
Minority Interests	0.0	0.0	0.0	0.0	0.0
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax	0.0	0.0	0.0	0.0	0.0
Other Adjustments - post-tax	0.0	0.0	0.0	0.0	0.0
Net Profit	42.1	39.2	27.0	28.3	30.5
Recurring Net Profit	43.7	40.5	28.3	29.6	31.9
Fully Diluted Recurring Net Profit	43.7	40.5	28.3	29.6	31.9

Cash Flow

(S\$m)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	61.81	61.34	70.21	74.16	78.19
Cash Flow from Inv. & Assoc.	0.00	0.00	0.00	0.00	0.00
Change In Working Capital	(3.14)	(10.81)	9.55	(5.49)	(5.81)
(Incr)/Decr in Total Provisions	0.00	0.00	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	0.00	0.00	0.00	0.00	0.00
Other Operating Cashflow	14.40	11.50	(1.50)	3.40	0.30
Net Interest (Paid)/Received	(3.36)	(3.03)	(3.00)	(3.00)	(3.00)
Tax Paid	(2.52)	(6.18)	(9.08)	(8.44)	(7.63)
Cashflow From Operations	67.19	52.82	66.18	60.63	62.06
Capex	(24.05)	(36.03)	(35.00)	(26.00)	(26.00)
Disposals Of FAs/subsidiaries	1.10	8.30	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	(1.17)	0.00	0.00	0.00	0.00
Other Investing Cashflow	0.00	0.00	0.00	0.00	0.00
Cash Flow From Investing	(24.12)	(27.73)	(35.00)	(26.00)	(26.00)
Debt Raised/(repaid)	(18.33)	(21.18)	10.43	0.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00	0.00
Dividends Paid	(7.42)	(9.34)	(8.66)	(11.29)	(11.29)
Preferred Dividends	0.00	0.00	0.00	0.00	0.00
Other Financing Cashflow	0.60	4.40	0.00	0.00	0.00
Cash Flow From Financing	(25.15)	(26.11)	1.78	(11.29)	(11.29)
Total Cash Generated	17.93	(1.03)	32.96	23.35	24.78
Free Cashflow To Equity	24.75	3.91	41.62	34.63	36.06
Free Cashflow To Firm	47.09	28.61	34.68	38.13	39.56

SOURCE: CIMB RESEARCH, COMPANY DATA

BY THE NUMBERS... cont'd

Balance Sheet

(S\$m)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	121.1	115.3	148.3	171.6	196.4
Total Debtors	168.1	194.4	176.5	184.7	193.4
Inventories	106.2	114.9	118.4	123.9	129.7
Total Other Current Assets	4.4	7.7	5.0	5.0	5.0
Total Current Assets	399.7	432.3	448.2	485.2	524.4
Fixed Assets	186.9	191.6	193.5	183.9	171.6
Total Investments	5.5	5.3	6.2	7.1	8.0
Intangible Assets	18.9	17.4	15.7	12.7	12.7
Total Other Non-Current Assets	1.9	1.9	1.6	1.6	1.6
Total Non-current Assets	213.2	216.2	217.1	205.3	193.9
Short-term Debt	74.0	67.6	70.4	70.4	70.4
Current Portion of Long-Term Debt	0.0	0.0	0.0	0.0	0.0
Total Creditors	150.5	183.9	176.5	184.7	193.4
Other Current Liabilities	2.3	3.9	2.8	2.8	2.8
Total Current Liabilities	226.8	255.4	249.7	257.9	266.5
Total Long-term Debt	46.0	33.8	41.4	41.4	41.4
Hybrid Debt - Debt Component	0.0	0.0	0.0	0.0	0.0
Total Other Non-Current Liabilities	0.0	0.0	0.0	0.0	0.0
Total Non-current Liabilities	46.0	33.8	41.4	41.4	41.4
Total Provisions	9.6	8.1	7.9	7.9	7.9
Total Liabilities	282.3	297.2	299.0	307.2	315.8
Shareholders' Equity	330.6	351.3	366.3	383.3	402.5
Minority Interests	0.0	0.0	0.0	0.0	0.0
Total Equity	330.6	351.3	366.3	383.3	402.5

Key Ratios

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	41.8%	1.5%	4.6%	4.6%	4.7%
Operating EBITDA Growth	64.9%	(0.8%)	14.5%	5.6%	5.4%
Operating EBITDA Margin	9.16%	8.96%	9.81%	9.90%	9.97%
Net Cash Per Share (S\$)	0.01	0.07	0.19	0.32	0.45
BVPS (S\$)	1.77	1.87	1.95	2.04	2.14
Gross Interest Cover	7.39	9.01	10.61	11.00	11.41
Effective Tax Rate	1.7%	17.2%	23.5%	23.0%	20.0%
Net Dividend Payout Ratio	21.3%	21.3%	39.3%	37.7%	35.0%
Accounts Receivables Days	87.88	96.91	94.56	88.01	87.99
Inventory Days	71.50	72.41	73.09	72.65	72.73
Accounts Payables Days	96.9	109.5	112.9	108.3	108.4
ROIC (%)	8.7%	9.5%	10.9%	11.6%	12.3%
ROCE (%)	6.66%	7.01%	7.95%	7.89%	7.89%
Return On Average Assets	7.79%	6.94%	4.83%	4.86%	5.00%

Key Drivers

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP Change (% , Main Product)	80.2%	12.0%	7.0%	7.0%	7.0%
Unit sales growth (% , main prod)	N/A	N/A	N/A	N/A	N/A
No. Of Lines (main Product)	N/A	N/A	N/A	N/A	N/A
Rev per line (US\$, main prod)	N/A	N/A	N/A	N/A	N/A
ASP chg (% , 2ndary prod)	27.5%	1.6%	2.5%	2.5%	2.5%
Unit sales grth (% , 2ndary prod)	N/A	N/A	N/A	N/A	N/A
No. Of Lines (secondary Product)	N/A	N/A	N/A	N/A	N/A
Rev per line (US\$, 2ndary prod)	N/A	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

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Score Range:	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
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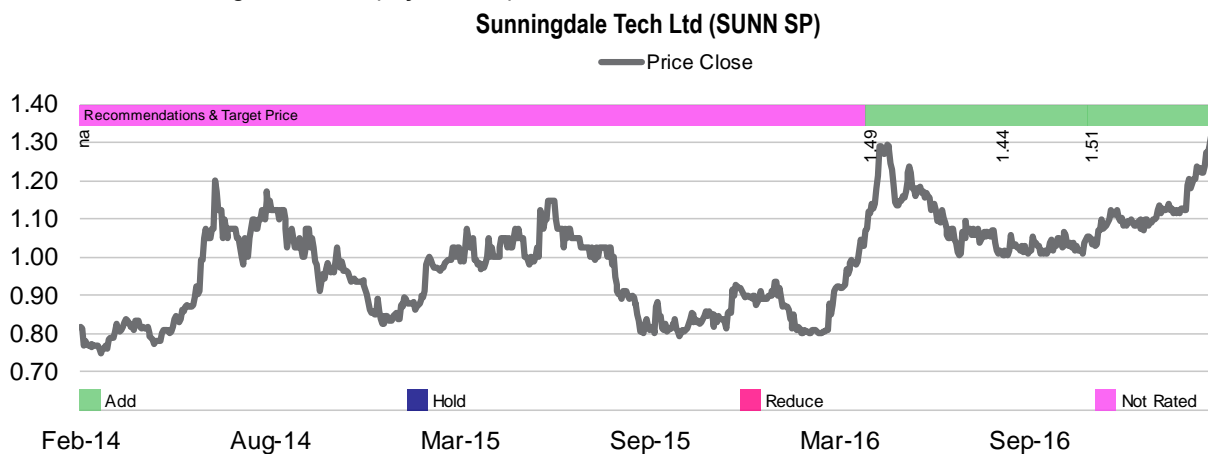
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2016		
1626 companies under coverage for quarter ended on 31 December 2016		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.4%	5.4%
Hold	29.6%	1.4%
Reduce	11.6%	0.4%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2016, Anti-Corruption 2016.

AAV – Very Good, n/a, **ADVANC** – Very Good, Certified, **AEONTS** – Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Very Good, Declared, **AOT** – Excellent, Declared, **AP** – Very Good, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – not available, Declared, **BCP** - Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, Declared, **BEC** - Good, n/a, **BH** - Good, Declared, **BIGC** - Excellent, Declared, **BJC** – Good, n/a, **BLA** – Very Good, Certified, **BPP** – not available, n/a, **BTS** - Excellent, Certified, **CBG** – Good, n/a, **CCET** – not available, n/a, **CENDEL** – Very Good, Certified, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** - Excellent, Certified, **DELTA** - Excellent, Declared, **DEMCO** – Excellent, Certified, **DTAC** – Excellent, Certified, **EA** – Very Good, Declared, **ECL** – Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Good, n/a, **GFPT** - Excellent, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** - Excellent, n/a, **GUNKUL** – Very Good, Declared, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Declared, **ICHI** – Very Good, Declared, **INTUCH** - Excellent, Certified, **ITD** – Good, n/a, **IVL** - Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KGI** – Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Declared, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Declared, **M** – Very Good, Declared, **MAJOR** - Good, n/a, **MAKRO** – Good, Declared, **MALEE** – Very Good, Declared, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Declared, **MEGA** – Very Good, Declared, **MINT** - Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Very Good, Declared, **PSH** – not available, n/a, **PSL** - Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Declared, **RATCH** – Excellent, Certified, **ROBINS** – Very Good, Declared, **RS** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** - Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Good, Declared, **SCCC** - Excellent, Declared, **SIM** - Excellent, n/a, **SIRI** - Good, n/a, **SPALI** - Excellent, Declared, **SPRC** – Very Good, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, Declared, **TCAP** – Excellent, Certified, **THAI** – Very Good, Declared, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Very Good, Certified, **TICON** – Very Good, Declared, **TISCO** - Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Good, n/a, **TMB** - Excellent, Certified, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – not available, n/a, **TRUE** – Very Good, Declared, **TTW** – Very Good, Declared, **TU** – Excellent, Declared, **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

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- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

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- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

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