

SMALL/MID CAP HIGHLIGHTS

Sunningdale Tech (SUNN SP)

3Q17: Results In Line; Hit By Unfavourable Forex

Sunningdale's 3Q17 results were in line with expectations. Core net profit to shareholders grew 37.8%, led by growth from all four of Sunningdale's business segments. The group saw an unfavourable forex impact for 3Q17 as headline net profit fell 24.2% yoy. Sunningdale continues to win new projects from new and existing customers as they expand capacity in Chuzhou, China, and build a new plant in Penang, Malaysia. Maintain BUY with a PE-based target price of S\$2.51.

WHAT'S NEW

- **3Q17 results in line with expectations.** Sunningdale's (SUNN) core net profit came in 37.8% higher yoy, driven mainly by sales growth from all four of Sunningdale's business segments (automobile, consumer, healthcare and mould fabrication). In the face of headwinds such as labour costs and pricing pressure, gross margins rose from 14.2% in 3Q16 to 14.3% in 3Q17 as the group's sales mix remained relatively stable. The group's high-margin automobile segment exposure fell slightly from 35.8% of sales in 3Q16 to 33.6% of sales in 3Q17 while the consumer/IT segment fell from 42.2% of 3Q16 sales to 40.9% of 3Q17 sales. Cyclical mould fabrication revenue rose substantially by 35% yoy in 3Q17. SUNN reported a forex loss of S\$3.1m for 3Q17 due to a weakening US\$ which resulted in 3Q17 headline net profit falling 24.2% yoy to S\$7.7m.
- **Strong balance sheet and cash flow.** SUNN generated strong positive operating cash flow of S\$33.7m for 9M17 while the balance sheet remained robust with a net cash position of S\$7.8m as of 3Q17. The company is well-positioned to capitalise on future organic or inorganic opportunities that may arise.

3Q17 RESULTS

Year to 31 Dec (S\$m)	3Q17	3Q16	% chg
Revenue	188.1	172.5	9.1
Gross Profit	26.9	24.4	10.3
Gross Profit margin (%)	14.3	14.2	0.1
Net profit	7.7	10.2	-24.2
Core Net Profit	10.9	7.9	37.8

KEY FINANCIALS

Year to 31 Dec (S\$m)	2015	2016	2017F	2018F	2019F
Net Turnover	674.5	684.5	712.4	741.6	772.1
EBITDA	80.0	81.4	88.6	87.9	87.8
Operating profit	47.9	51.8	56.6	57.6	58.5
Net profit (rep./act.)	42.1	39.1	41.6	42.4	43.2
Net profit (adj.)	23.6	31.7	41.6	42.4	43.2
EPS (S cts)	12.4	16.5	21.7	22.1	22.5
PE (x)	16.1	12.1	9.2	9.0	8.9
P/B (x)	1.1	1.1	1.0	0.9	0.9
EV/EBITDA (x)	4.7	4.5	3.8	3.5	3.1
Dividend yield (%)	2.5	3.0	3.3	3.5	3.8
Net margin (%)	3.5	4.6	5.8	5.7	5.6
Net debt(cash) to equity (%)	1.6	(3.9)	(12.8)	(19.1)	(24.5)
Interest cover (x)	11.9	14.7	16.1	16.4	16.6
ROE (%)	7.1	9.4	9.4	9.3	9.2
Consensus net profit	-	-	37.3	40.7	43.6
UOBKH/Consensus (x)	-	-	1.12	1.04	0.99

Source: Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$2.13
Target Price	S\$2.51
Upside	16.8%

COMPANY DESCRIPTION

Sunningdale is a leading Asian tooling, plastics injection moulding and precision assembly company. The company has operations in nine countries and nineteen locations around the world.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	SUNN SP
Shares issued (m):	188.1
Market cap (S\$m):	406.2
Market cap (US\$m):	298.3
3-mth avg daily t'over (US\$m):	1.2

Price Performance (%)

52-week high/low	S\$2.40/S\$1.045			
1mth	3mth	6mth	1yr	YTD
1.9	0.0	20.3	101.9	245.6

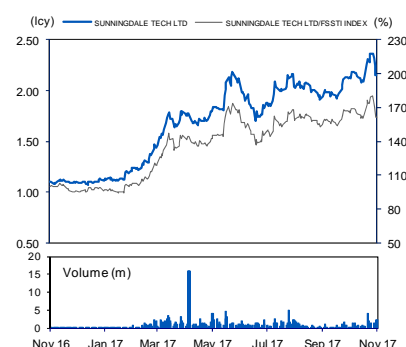
Major Shareholders

Koh Boon Hwee	15.9%
---------------	-------

FY17 NAV/Share (S\$) 1.94

FY17 Net Cash/Share (S\$) 0.22

PRICE CHART



Source: Bloomberg

ANALYST(S)

Nicholas Leow
+65 6590 6616
nicholasleow@uobkayhian.com

Edison Chen
+65 6590 6637
edisonchen@uobkayhian.com

STOCK IMPACT

- **Focusing on high-margin products while expanding capacity.** SUNN will continue to focus on driving efficiency and productivity as the group optimises resources across their 19 manufacturing locations. SUNN has been able to win new projects from both new and existing customers due to its status as a one-stop precision plastic engineering company. The group is currently expanding capacity in their newest Chuzhou plant in China which was completed in 4Q16. A new plant is also currently being built in Penang, Malaysia and should be completed in 1Q18. We take this as an indication of SUNN's optimistically positive outlook going into 2018.

EARNINGS REVISION/RISK

- No change to our earnings estimates.

VALUATION/RECOMMENDATION

- **Maintain BUY recommendation on the company with a PE-based target price of S\$2.51** pegged to peers' average 2018F PE ratio of 11.4x. Our target implies a historical 2016 P/B ratio of 1.34x. We re-iterate our view that should a privatisation happen, we would likely see further upside to our target price as the most recent PIM acquisition of Fisher Tech was done at 1.5x trailing PB.

SHARE PRICE CATALYST

- Potential privatisation.
- Expansion into new precision engineering segments.

PROFIT & LOSS

Year to 31 Dec (\$m)	2016	2017F	2018F	2019F
Net turnover	684.5	712.4	741.6	772.1
EBITDA	81.4	88.6	87.9	87.8
Deprec. & amort.	31.1	33.5	31.8	30.8
EBIT	50.3	55.1	56.1	57.0
Net interest income/(expense)	(3.0)	(3.0)	(3.0)	(3.0)
Associates	-	-	-	-
Other non-recurring items	-	-	-	-
Pre-tax profit	47.2	52.1	53.1	53.9
Tax	(8.2)	(10.4)	(10.6)	(10.8)
Minorities	-	-	-	-
Net profit	39.1	41.6	42.4	43.2
Net profit (adj.)	31.7	41.6	42.4	43.2

CASH FLOW

Year to 31 Dec (\$m)	2016	2017F	2018F	2019F
Operating	52.8	72.7	68.1	67.5
Pre-tax profit	47.2	52.1	53.1	53.9
Tax	(6.2)	(10.4)	(10.6)	(10.8)
Deprec. & amort.	31.1	33.5	31.8	30.8
Working capital changes	(12.6)	(10.1)	(1.4)	(3.9)
Other operating cashflows	(6.7)	7.6	(4.8)	(2.6)
Investing	(27.7)	(25.0)	(25.0)	(24.0)
Capex	(36.0)	(25.0)	(25.0)	(24.0)
Interest and dividend income	1.1	-	-	-
Others	-	-	-	-
Proceeds from sale of assets	7.3	-	-	-
Financing	(26.1)	(22.5)	(18.4)	(18.4)
Dividend payments	(9.3)	(12.5)	(13.4)	(14.4)
Issue of shares	-	-	-	-
Proceeds from borrowings	(21.2)	(10.0)	(5.0)	(4.0)
Others/interest paid	4.4	-	-	-
Net cash inflow (outflow)	(1.0)	25.3	24.7	25.1
Beginning cash & cash equivalent	114.8	113.0	138.3	163.0
Changes due to forex impact	(0.8)	-	-	-
Ending cash & cash equivalent	113.0	138.3	163.0	188.1

BALANCE SHEET

Year to 31 Dec (\$m)	2016	2017F	2018F	2019F
Fixed assets	191.6	184.6	179.4	174.2
Other LT assets	24.6	24.0	23.4	22.8
Cash/ST investment	115.3	140.0	164.7	189.8
Other current assets	317.0	328.0	341.1	354.6
Total assets	648.5	676.6	708.5	741.3
ST debt	67.6	57.6	52.6	48.6
Other current liabilities	187.8	197.3	205.2	213.2
LT debt	32.2	32.2	32.2	32.2
Other LT liabilities	9.6	9.1	9.1	9.1
Shareholders' equity	351.3	380.5	409.5	438.3
Minority interest	-	-	-	-
Total liabilities & equity	648.5	676.6	708.5	741.3

KEY METRICS

Year to 31 Dec (%)	2016	2017F	2018F	2019F
Profitability				
EBITDA margin	11.9	12.4	11.8	11.4
Pre-tax margin	6.9	7.3	7.2	7.0
Net margin	4.6	5.8	5.7	5.6
ROA	4.9	6.2	6.0	5.8
ROE	9.0	10.9	10.4	9.8
Growth				
Turnover	1.5	4.1	4.1	4.1
EBITDA	1.7	8.9	(0.9)	(0.1)
Pre-tax profit	10.3	10.2	1.9	1.7
Net profit	(7.2)	6.6	1.9	1.7
Net profit (adj.)	34.3	31.4	1.9	1.7
EPS	32.9	31.4	1.9	1.7
Leverage				
Debt to total capital	24.9	23.0	22.0	21.2
Debt to equity	28.4	23.6	20.7	18.4
Net debt/(cash) to equity	(3.9)	(12.8)	(19.1)	(24.5)
Interest cover (x)	14.7	16.1	16.4	16.6

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia (OJK). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2017, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W