

SMALL/MID CAP HIGHLIGHTS

Sunningdale Tech (SUNN SP)

2Q17: Results Above Expectations; A Pleasant Dividend Surprise

Sunningdale reported strong 2Q17 results with core net profit rising over 57% yoy, driven by stronger gross margins and lower costs. The group gave upbeat guidance on a seasonally stronger 2H17, instilling confidence in the group's prospects for the rest of 2017. Shareholders have been rewarded with a surprise maiden interim dividend. Maintain BUY with a higher PE-based target price of S\$2.51.

2017 RESULTS

Year to 31 Dec (S\$m)	2Q17	2Q16	yoy % chg
Revenue	177.6	166.6	6.6
Gross profit	27.7	22.9	20.7
Gross margin (%)	15.6%	13.8%	1.8
Net profit	8.2	3.8	115
Core Net Profit	10.9	7.0	57.1

Source: Sunningdale

RESULTS

- 2Q17 results above expectations.** Sunningdale Tech's (SUNN) core net profit rose 57% yoy, driven by higher gross margin and better operational efficiencies which led to lower costs. Gross margin rose from 13.8% in 2Q16 to 15.6% in 2Q17, attributed to a better sales mix. The group's high-margin automotive sales from 36.4% of total sales in 2Q16 to 36.9% in 2Q17 while consumer/IT sales rose from 38.3% of 2Q16 total sales to 40% in 2Q17. Administrative expenses dipped 2.8% yoy to S\$10m while other expenses were reduced by 34.8% to S\$3.7m in 2Q17. SUNN reported forex losses of S\$2.6m in 2Q17 due to a weakening US dollar.
- Positive guidance for 2H17.** The 2H (June-December) typically marks a seasonally stronger half for SUNN's business as the group has a large manufacturing presence in China and Chinese factories take a long Lunar New Year break during the first quarter of the year. SUNN indicated that heading into 2H17, business development initiatives are starting to gain more traction as the group receives enquiries from both new and existing customers across all business segments. Furthermore, by issuing its maiden interim dividend, we take this as management's confidence in the prospects of the company.
- A surprise interim dividend.** SUNN declared a maiden interim dividend of 2.5 S cents/share.

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 (cent)	12.4	16.5	21.7	22.1	22.5
PE (x)	16.5	12.4	9.4	9.3	9.1
P/B (x)	1.2	1.1	1.0	1.0	0.9
EV/EBITDA (x)	4.8	4.7	3.9	3.6	3.3
Dividend yield (%)	2.4	2.9	3.2	3.4	3.7
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	-	-	35.7	39.0	40.0
UOBKH/Consensus (x)	-	-	1.17	1.09	1.08

Source: Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$2.05
Target Price	S\$2.51
Upside	22.4%
(Previous TP)	S\$2.04

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):	385.5
Market cap (US\$m):	283.7
3-mth avg daily t'over (US\$m):	1.8

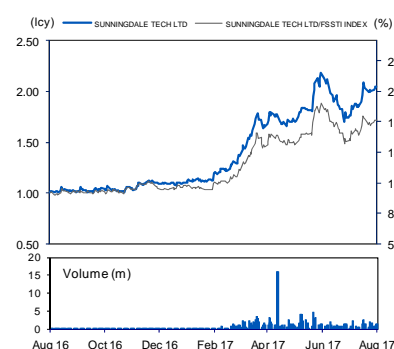
Price Performance (%)

52-week high/low	S\$2.21/S\$0.905			
1mth	3mth	6mth	1yr	YTD
17.8	18.5	82.2	101.0	228.0

Major Shareholders

	%
Koh Boon Hwee	15.9
FY17 NAV/Share (S\$)	1.94
FY17 Net Cash/Share (S\$)	0.22

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Only three plastic injection moulders (PIM) left on SGX.** Platinum Equity has offered to take Fisher Tech private in a deal that values the firm at S\$152m, or S\$3.02/share. This values Fisher Tech at a trailing PE of 13x, P/B of 1.5x and EV/EBITDA of 5.7x. With Fisher Tech being privatised, there remain only three other PIMs in Singapore - SUNN, Memtech International and Fuyu Corp.

EARNINGS REVISION/RISK

- We raise our 2017-19 core net profit estimates by 14.0-16.8% as we raise our gross profit margin estimates from 14.4% to 15.2%, and lower our administrative and other operating expense assumptions.

VALUATION/RECOMMENDATION

- **Maintain BUY with a higher PE-based target price of S\$2.51**, pegged to peers' average 2018F PE of 11.4x. Our target price implies 2016 P/B of 1.34x. We reiterate 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 P/B.
- SUNN has been raising dividends throughout the years. We make no change to our dividend forecast and expect 6.5 S cent/share for 2017, translating into a 3.2% yield.

SHARE PRICE CATALYST

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

PEER COMPARISON

Company	Ticker	Trading Curr (S\$)	Price @ 1 Aug 17 (S\$)	Market Cap (US\$m)	PE		P/B		Yield 2018F (%)	ROE 2018F (%)
					2017F (x)	2018F (x)	2017F (x)	2018F (x)		
Venture Corp Ltd	VMS SP	S\$	13.21	2,742	17.0	15.5	1.8	1.7	4.0	11.9
Hi-P International Ltd	HIP SP	S\$	1.06	628	12.6	11.9	1.4	1.3	1.0	11.1
Ums Holdings Ltd	UMSH SP	S\$	1.07	338	10.7	9.7	2.2	2.0	5.9	22.2
Valuetronics Holdings Ltd	VALUE SP	S\$	0.815	252	11.3	10.4	1.9	1.7	4.7	17.2
Fu Yu Corp Ltd	FUYU SP	S\$	0.2	111	14.3	10.0	0.9	0.9	6.5	7.7
Fischer Tech Ltd	FISC SP	S\$	3	123	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Memtech International Ltd	MTEC SP	S\$	1.01	105	12.4	10.6	0.9	0.9	4.0	8.4
Average					13.0	11.4	1.5	1.4	4.4	13.1
Sunningdale Tech Ltd	SUNN SP	S\$	2.04	282	9.4	9.3	1.0	1.0	3.4	9.3

Source: Bloomberg

SUNNINGDALE VALUATION BASED ON FISHER TECH ACQUISITION MULTIPLE

(x)	Fisher Tech acquisition multiple	Sunningdale implied share price (S\$)
PE	13x	2.65
P/B	1.5x	2.82
EV/EBITDA	5.7x	2.45

Source: UOB Kay Hian

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

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