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ALPHA-OMEGA INVESTMENTS

11 Nov 2017

NATIONAL UNIVERSITY OF SINGAPORE

ASIA PACIFIC | SINGAPORE

bestworld

BUY
BEST SP

Price: SGD \$ 1.28

Price Target: SGD \$ 2.57

Price Target Potential: 100.78%

Price Target Period: 1 Year

INVESTMENT HIGHLIGHTS

Listed in Singapore Stock Exchange from 2004, the Best World International Ltd (BWI) is a company that sources, formulates, brands, and distributes a range of health, skin care and lifestyle products to local and global markets.

We initiated coverage of BEST SP with a strong BUY rating, target price is derived by DCF model at SGD of \$2.57/sh, indicating 100.78% upside potential.

Our recommendation for this stock is based on:

1. Strong EBIT and ROE growth in the past, continuing in the foreseeable future. The Revenue and ROE for the company have grown by CAGRs of 38.2% and 21.1% respectively for the past 3 years. Gross profit margins nearing 75% indicate a strong moat around the company which enables it to make strategic investments to increase market penetration and scale. The company has turned around its EBIT from (0.3) Million in 2013 to 46 Million for the FY 2016 and looks poised to continue this progress in future.

2. New Era of growth in China as the next big catalyst for top-line growth. Revenues for China market increased by over 192% in the past 1 year. The company aims to repeat its successful track of record sales growth of Taiwan in the larger Chinese market, which is 50 times its current base market of Taiwan. Obtaining the Direct Sales license allows the company to capitalize on the immense growth opportunities of growing Chinese middle class. With a revenue of 265 Million RMB vs. 27 Billion RMB of market leader, the potential for growth is high for the company with a wealth of expertise in direct sales.

3. Asia boasts of the largest sales and the biggest growth of direct sales. According to the World Federation of Direct Selling Associations, the growth of direct sales as a medium of selling premium products has been on a consistent rise over the past years with Asia contributing 46% of global direct sales and a three-year CAGR of 10.6%. With a CAGR of over 22.5% in the direct sales market in China (2012-2015), the company is staring at a vast potential for growth.

4. Being the first to enter into Halal products to capture the niche market of Muslim majority South-East Asian countries. In terms of its presence in Dubai and further plans to expand in markets of Brunei, Malaysian and Indonesia, the company has procured Halal certification from Islamic Food and Nutrition Council of America ("IFANCA") for its range of health supplements. This would ensure that the firm captures this niche market of Muslim population of 240 million in South-East Asia.

5. Embracing digital communication platforms to engage customers and modernizing manufacturing with Industry 4.0 model. The company is foraying into digitalization on two fronts: Using media platforms such as WeChat and mobile apps to improve the penetration and Automating the current production facilities to improve manufacturing digitization in form of connected machines collaborative robots, and integrated supply chain.

TEAM



ALPHA-OMEGA INVESTMENTS

HIMANSHU KHEMANI

GUO JING

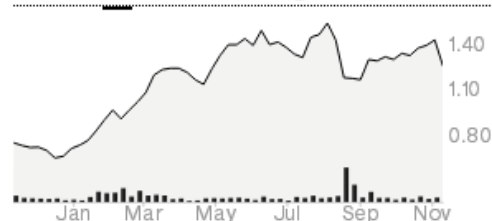
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1D 1M 1Y 5Y VIEW FULL CHART



Market Overview

| | |
|--------------------|------------------|
| Exchange | STI |
| Sector | Consumer Staples |
| 52 wk Price Range | 0.59 - 1.62 |
| 30D Average Volume | 3,969,583 |
| Market Cap | SGD 704.113M |
| Enterprise Value | SGD 670.5M |
| Share Outstanding | 550.09M |
| P/E | 15.27 |
| EPS T12M | 0.08 |

FIRST LISTED DIRECT SELLING COMPANY IN SINGAPORE WITH BUSINESS SPANNING ASIA

Best World International is a skin-care company with focus on skincare, personal care and Nutritional supplements which utilizes a direct selling approach. It was the first direct selling company to be listed on Singapore exchange and till date remains the only one to do so.

The top management team remains very stable with Group CEO, COO and other people at key positions inside the firm have been there with the firm for more than 20 years. Co-founder and CEO DR DORA HOAN BENG MUI is the chairman of Direct Selling Association of Singapore and CEO Council Member of World Federation of Direct Selling Association. Collectively the CEO, COO and the President own 55% of the company.

FULL PRODUCT LINEUP SERVING PREMIUM ASIAN MARKET



Source : BWI Official Website

Best World's product line-up can be divided into 3 categories: Premium Skincare, Weight Management and Health Supplements. Skincare products forms bulk of the group's revenue, contributing to about 80% of the firm's total. Currently 6 brands are managed under the company, including Dr.Secret and Aestier in the Skincare segment, Advance and Aurigen in the Health Supplements segment, Optimax in the weight Management segment and UberAir.

REVENUE BREAKDOWN BY PRODUCTS AND REGIONS

Since listing in 2004, the company has built a credible track record and enjoyed exponential growth. Unlike the practice of many direct-selling firms, distributors of BWI are not required to commit large purchases – as membership fees – to join its network or distribute its products. With this direct sales model, the company has since expanded greatly to the majority of Asian Markets, including Singapore, Thailand, Taiwan, Indonesia, Malaysia, Vietnam, Hong Kong, China, Korea, Philippines, Myanmar and the UAE. It also manufactures and distributes the Aurigen line of supplements, which it acquired in 2014, in China through drugstores in all provinces of PRC.

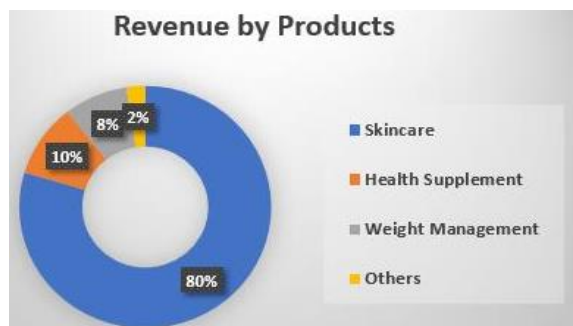
In FY 2016, the group revenue surged to S\$200.8 million, a growth of 97.5% compared to FY 2015. Of all markets, Taiwan is the largest market contributing 61.3% of the revenue in FY 2016. Celebrating its 10th anniversary of operation in Taiwan in November 2016, the company saw its ranking jumping to 9th position from 14th in the Direct Selling Industry of Taiwan Annual Ranking. Though growth momentum in Taiwan, it will be eclipsed by China who used to contribute about a third of revenue. The home country of Singapore and Indonesia are responsible for a paltry 3.5% and 2.7% respectively.



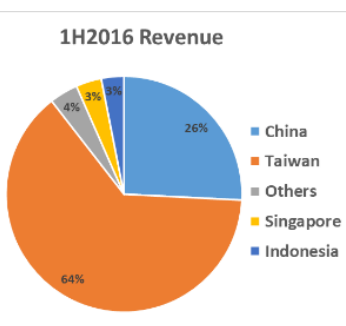
Source : BWI 2016 Annual Report



Source : BWI 2016 Annual Report



Source : BWI 2016 Annual Report



Source : BWI 2016 Annual Report



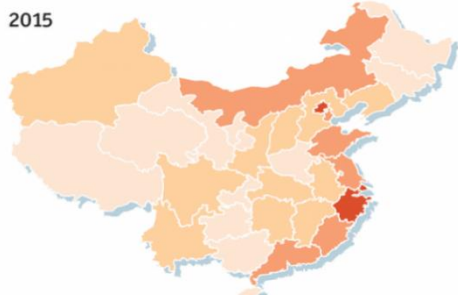
CAPITALIZING ON THE MOMENTUM IN CHINA, FUELED BY THE EMERGING MIDDLE CLASS

From here to ubiquity

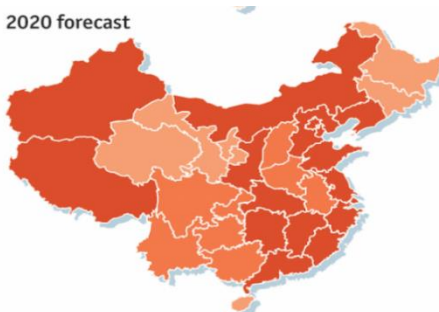
Middle-class urban households
As % of total urban households

<30 30-40 40-50 50-60 >60

2015



2020 forecast



Source : Economist Intelligence Unit,
economist.com

According to McKinsey, 76 percent of China's urban population will become middle class by 2022 compared to only 4% in 2000. The explosive growth of China's emerging middle class will bring sweeping economic change. The cosmetics industry is one of the fastest growing segments in China right now with a 5-year CAGR of 14% against industry average of 10%. BW's acquisition of SolidGold Pharma in 2014 and obtaining the much-coveted direct-selling license by the Chinese government in November 2016 were milestones for the corporate towards capitalizing on Chinese rapid growth of affluent middle class. With a market that is 50 times larger than Taiwan, Best World is poised to reap the best opportunity for growth in this market with its quality products, scalable business model, distributor network and most importantly knowledge of Chinese customers which other foreign brands might lack. It's believed that China will be the fastest growing market for BEST WORLD for at least the next three to five years.

RIDING THE WAVE OF DIRECT SELLING IN ASIA

The direct selling model offers BWI a lot of benefits over traditional retail channels:

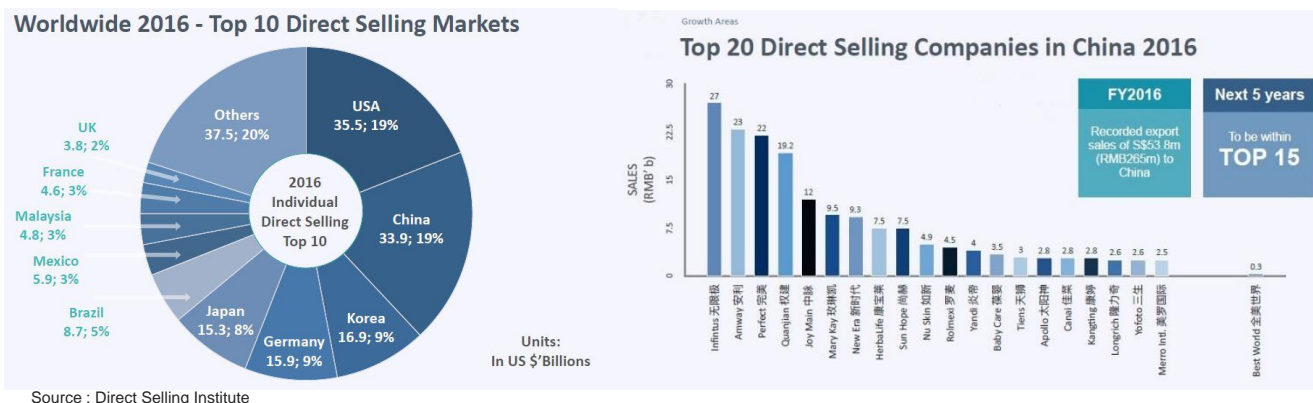
- More control over the pricing and distribution. This ensures that the products are competitively priced. The business can also ensure that the representatives are knowledgeable and effective
- A ready customer base: Most of the members of the sales force are also the customers for the company. As such, the company is able to build a very loyal customer base. This model has been proven in Taiwan market.
- Stronger customer relationships: A direct selling model offers the business to build a more personal relationship with its customers. BWI aims to utilize digital communication tools to enhance the customer engagement.
- Better consumer education: Unlike mass produced products, most of the products offered are premium in nature and as such, require significant consumer education in order to drive sales. Direct sales model allows for such an interaction between the customer and the sales representative

In China, the direct selling model was not viewed favorably. It was regarded as an illegal activity till 2005 which is when guidelines regarding the direct sales method were formulated. The regulation requires a company to obtain a license before

engaging in direct sales. However China is leading the global direct selling with 3-Yr CAGR of 22.5% compared to world average of 7.7% (World Federation of Direct Selling Associations).

Not a Pyramid-scheme

Best World is different from its other direct selling firms since its members don't have to commit to large purchases upfront which are a characteristic of the pyramid selling model. Therefore, crackdown on pyramid schemes by Chinese government should not be seen as a threat to its business model. Best World's current corporate strategy is to convert to the direct selling model in China soon. Obtaining the direct sales license is a step in that direction and we might see the exponential growth in Chinese market.



EARNING FORECAST AND VALUATION BY DCF

Earning Forecast

During the period of 2014-2017, the company showed strong growth momentum in its top-line with a CAGR of 38.2% on the back of sustained export growth to China. We projected the EBIT growth in FY2017 of 24.8% is going to gradually slow down and being conservative, we expect that an EBIT growth of 6.2%, starting from 2019, is sustainable.

Valuation – DCF

Due to decreased revenue contribution from Taiwan, revenue for the nine months ended 30 September 2017 increased by 5.7% compared to the same period last year. However, revenue from China grew by 76.5% and the proportion of revenue generated from China market is expected to continue to rise. We use DCF method to evaluate the company based on assumptions on the earning growth in 2017-2021.

As majority of the revenue is from China and Taiwan, we estimated the PGR (Permanent Growth Rate) after five years to approach weighted GDP growth in China and Taiwan of 5%. We derive the cost of equity using CAPM model using the market risk premium of China and Taiwan weighted by proportion of sales generated from each location and arrived at 5.86%. We used 10-year China government bond of 3.9% as risk free rate and beta of 0.85. The cost of debt is derived from the bank loan interest rate of the company of 5.96% and we obtained WACC of 8.58% based on its capital structure as of 30 Sep 2017. **Based on estimation from DCF model, we arrived at a fair value of SGD \$ 2.57.**

| SGD (in millions) | 2016 | 2017E | 2018E | 2019E | 2020E | 2021E |
|--------------------------------|----------------|--------------|--------------|--------------|--------------|--------------|
| EBIT | 50.99 | 63.63 | 71.51 | 75.94 | 80.65 | 80.65 |
| YoY growth | | 24.8% | 12.4% | 6.2% | 6.2% | 6.2% |
| EBIT (1-T) | 42.32 | 52.81 | 59.35 | 63.03 | 66.94 | 66.94 |
| Depreciation & Amortization | 2.73 | 2.93 | 3.15 | 3.39 | 3.64 | 3.64 |
| Capex | -11.75 | -11.75 | -11.75 | -11.75 | -11.75 | -11.75 |
| Change in working capital | -29.74 | -18.64 | -11.68 | -7.32 | -4.59 | -4.59 |
| FCFF | 3.56 | 25.36 | 39.15 | 47.43 | 54.32 | 54.32 |
| PGR | 5.0% | | | | | |
| Terminal value | 1666.96 | | | | | |
| WACC | 8.58% | | | | | |
| Enterprise value | 1459.99 | | | | | |
| Cash | 48.801 | | | | | |
| Debt | 8.103 | | | | | |
| Minority Interest | -2.91 | | | | | |
| Equity value | 1416.38 | | | | | |
| No. of shares outstanding (mn) | 550 | | | | | |
| Price per share (SGD) | 2.57 | | | | | |

| | |
|--------------------------|--------------|
| Debt to equity ratio | 0.03 |
| Required rate on Debt | 5.69% |
| Beta | 0.85 |
| Risk free rate | 3.90% |
| Risk premium | 5.86% |
| Required return (equity) | 8.88% |
| WACC | 8.58% |

Price sensitivity

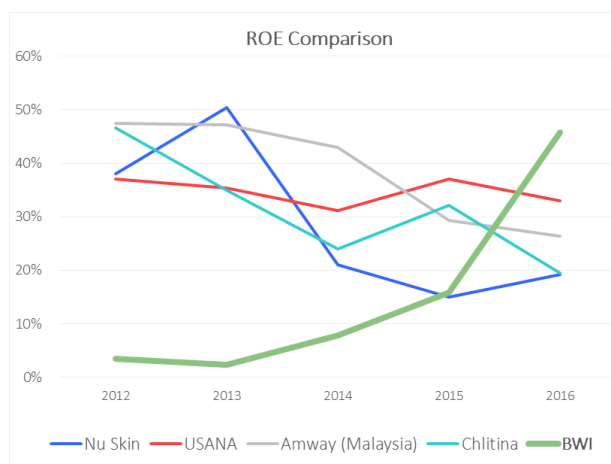
We also performed sensitivity analysis for the stock for WACC and PGR with stock price in worst case scenario of SGD 1.36, representing a 6% upside compared with current stock price.

| | | Sensitivity Analysis | | | | |
|-----|------|----------------------|------|------|------|-------|
| | | WACC | | | | |
| | | 7.6% | 8.1% | 8.6% | 9.6% | 10.6% |
| PGR | 6.0% | 5.84 | 4.43 | 3.55 | 2.53 | 1.94 |
| | 5.5% | 4.47 | 3.59 | 2.99 | 2.22 | 1.75 |
| | 5.0% | 3.62 | 3.01 | 2.57 | 1.98 | 1.60 |
| | 4.5% | 3.04 | 2.60 | 2.26 | 1.79 | 1.47 |
| | 4.0% | 2.62 | 2.29 | 2.02 | 1.63 | 1.36 |

COMPARATIVE ANALYSIS

Trading at PE and PEG discount compared to peers

For health and cosmetic companies with direct selling model, Nu Skin, Usana Health, Herbalife, Amway Malaysia and China HLD are the five most comparable company to BWL with extensive sales network in Greater China and Asian Market. Currently, BWL is trading at 16.4x 2017e P/E, below the mean at 17.7x 2017e P/E. However, BWL has much higher EBITDA margin of 24.3%, better than comparable average of 17%. Estimated ROE for 2017 for the company stands at 41.4 compared to 19.4 of comparables.



| Name | Ticker | Currency | Share Price (LC) | Market Cap (USD M) | P/E (x) | | | PEG (x) NTM | EBITDA margin (%) | EV/EBITDA (x) | | ROE (%) | | Dividend Yield (%) LTM | |
|----------------------|----------------|------------|------------------|--------------------|-------------|-------------|-------------|-------------|-------------------|---------------|------------|-------------|-------------|------------------------|-----|
| | | | | | FY17E | FY18E | FY19E | | | FY17E | FY18E | FY17E | FY18E | | |
| United States | | | | | | | | | | | | | | | |
| Avon Products | AVP US | USD | 1.9 | 836 | 633.3 | 9.9 | 6.4 | 2.9 | 10.6 | 6.0 | 5.4 | 7.4 | -130.8 | -- | |
| Nu Skin | NUS US | USD | 61.4 | 3232.7 | 19.1 | 17.7 | 15.2 | 2.1 | 13.4 | 9.6 | 9.0 | 25.0 | 28.9 | 2.3 | |
| Usana Health | USNA US | USD | 65.55 | 1572.7 | 16.7 | 15.1 | 13.2 | 1.1 | 15.1 | 8.7 | 8.5 | 29.8 | 32.9 | -- | |
| Herbalife | HLF US | USD | 65.36 | 5699.2 | 14.4 | 12.4 | 11.5 | -- | 17.1 | 9.5 | 8.5 | 1.7 | 1.8 | -- | |
| Malaysia | | | | | | | | | | | | | | | |
| Amway Malaysia | AMK MK | MYR | 7.3 | 286.3 | 22.81 | 15.65 | 12.04 | -- | 6.6 | 17.9 | 15.7 | 24.2 | 29.3 | 2.7 | |
| Taiwan | | | | | | | | | | | | | | | |
| Chilitina HLD | 4137 TT | TWD | 114.5 | 301.4 | 15.38 | 12.78 | -- | -- | 32.9 | 5.9 | 6.4 | 16.2 | 17.7 | 5.7 | |
| | | | | | Mean | 120.3 | 13.9 | 11.7 | 2.0 | 16.0 | 9.6 | 8.9 | 17.4 | -3.4 | 3.6 |
| | | | | | Median | 17.9 | 13.9 | 12.0 | 2.1 | 14.3 | 9.1 | 8.5 | 20.2 | 23.3 | 2.7 |
| Best World | BEST SP | SGD | 1.28 | 517.4 | 16.4 | 13.5 | 11.3 | 0.6 | 24.3 | 10.2 | 8.6 | 41.4 | 39.8 | 2.3 | |

Source: Bloomberg
Note 1: Share prices as of 10 Nov 2017

RISK FACTORS

The risks BWI faces are mainly from regulatory body. We identify the following top 4 risks.

1. Changes in the regulation of product ingredients

A few products within BWI's product portfolio contribute to a majority of corporate revenue. For example, Plum Delite and products in the DR Secret range of skin care products are huge generators of revenue. Discontinuation of products can arise because of restrictions of certain product ingredients imposed by the authorities. These changes in regulations are not controllable by BWI and unfavorable changes can occur which could lead sudden discontinuation of key products.

2. Changes in the direct selling licensing

Direct selling activities are usually subject to special licensing requirements in many countries. Any changes in regulations could result in termination or restriction of activities at BWI's lifestyle centers. The impact of such an event is significant as direct selling contribute to over 50% of BWI's revenue. The share of direct selling for the company can only be expected to go up in future, making it more prone to disruption by regulation.

3. Difficulty of governance of direct sales team and distributors

Distributors and BWI's own direct sales team sometimes exaggerate the efficacy of the products, leading to regulatory intervention. Warnings or penalties might be issued to the company, causing great reputational damage or monetary losses, affecting the profitability and future growth.

4. Unfavorable foreign exchange movements

As the Group operates internationally, revenue is generated in various currencies which may expose significant foreign currency fluctuation, especially the potential weakening of RMB.



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PORTFOLIO STOCKS

Besides our pitch stock **BEST SP**, we recommend buying four more stocks

- **AVIT SP**
- **COG SP**
- **CHGL SP**
- **YLLG SP**

| Bloomberg Ticker | Company Name | ISIN | GICS Sector |
|-----------------------|----------------------------------|--------------|---------------------------------|
| BEST SP Equity | Best World International Limited | SG1DG3000004 | Consumer Staples |
| AVIT SP Equity | Avi-Tech Electronics Limited | SG1CC0000008 | Information Technology |
| COG SP Equity | Cogent Holdings Limited | SG1Z45953804 | Logistics Services |
| CHGL SP Equity | Chew's Group Limited | SG2C90967473 | Packaged Food |
| YLLG SP Equity | Yanlord Land Group Limited | SG1T57930854 | Real Estate Owners & Developers |

BUY

BEST SP
AVIT SP
COG SP
CHGL SP
YLLG SP

ALPHA-OMEGA INVESTMENTS

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仁恒
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**YANLORD LAND
GROUP LIMITED**



AVI-TECH ELECTRONICS LIMITED

Singinvestors

Avi-Tech Electronics Limited (AVIT) is a total solutions provider for burn-in, burn-in board manufacturing and printed circuit board assembly (PCBA) and engineering services working with global original equipment manufacturers in the semiconductor, electronics and life sciences industries. With a market capitalization of SGD 95.8M and stable and experienced management team, it derives 22.7% of revenue from burn-in business, 49.3% from PCBA business, and 28.0% from engineering business. Having incorporated for over 36 years, instead of limiting in Singapore local market, AVIT has expanded markets from Singapore to Malaysia, Thailand, the Philippines, Taiwan, Japan, China, and even US and Europe. In recent years, the company has tried to target on growing-trend businesses which are expected for exponential expansion in coming future, including the Internet of Things, smart city projects, data centre expansion, and cloud computing, etc.

Annual Revenue Percentage based on Geography



Source : AVIT 2017 Annual Report

According to the financial data and industry comparison below, though the market capitalization of AVIT is less than industry median, its growth of 1-Y revenue, 1-Y EPS and ROE is much greater than industry median, while the price is still cheap. It's also worth to mention that AVIT maintains low debt ratio and stable dividend yield every year. From its annual report, AVIT has reduced bank loan from SGD 1.61M in 2015, to SGD 0.99M in 2016, down to SGD 0.38M in 2017.

The company remains profitable with a steady growth rate since 2014 despite of the downside influences from Brexit, and drop of China economy, etc.

BUY AVIT SP

Price: SGD \$ 0.53

Price Target Period: 1 Year

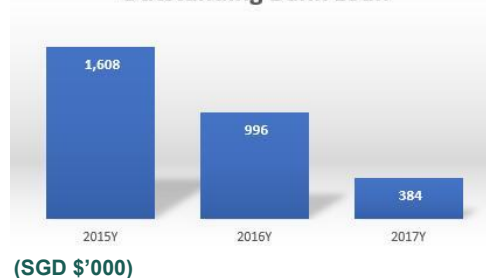
Price Performance



Market Overview

| | |
|--------------------|-------------|
| Exchange | STI |
| Sector | Info Tech |
| 52 wk Price Range | 0.26 - 0.56 |
| 30D Average Volume | 391,763 |
| Market Cap | SGD91.510M |
| Enterprise Value | SGD68.3M |
| Share Outstanding | 171.05M |
| P/E | 13.02 |
| EPS T12M | 0.04 |

Outstanding Bank Loan



Source : AVIT 2017 Annual Report

(SGD)

| Name | Market Cap | Last Price | 1-Y Revenue Growth | 1-Y EPS Growth | 1-Y Price Change (%) | P/E | ROE | 12M Dividend Yield | Total Debt/EBITDA | Total Debt/Book Cap |
|------------------------|------------|------------|--------------------|----------------|----------------------|-------|--------|--------------------|-------------------|---------------------|
| AVI-Tech Electronics | 94.93M | 0.56 | 17.80% | 9.76% | 85.00% | 13.5 | 15.10% | 3.60% | 0.06 | 1.11% |
| Industry Median | 459.53M | 1.27 | 7.43% | -7.54% | 59.55% | 14.43 | 10.49% | 3.60% | 0.81 | 22.60% |
| ASM International | 6.01B | 96.46 | -10.71% | -14.38% | 54.67% | 13.35 | 12.66% | 1.15% | 0.00 | 0.00% |
| UMS Holdings Ltd | 560.57M | 1.05 | -6.20% | -29.77% | 113.72% | 15.83 | 18.95% | 4.59% | 0.44 | 0.13% |
| Advanced Semiconductor | 353.54M | 0.23 | 7.43% | -7.54% | 101.54% | 23.47 | 7.54% | N/A | 0.00 | 1.15% |

Source : Bloomberg Terminal

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COG SP

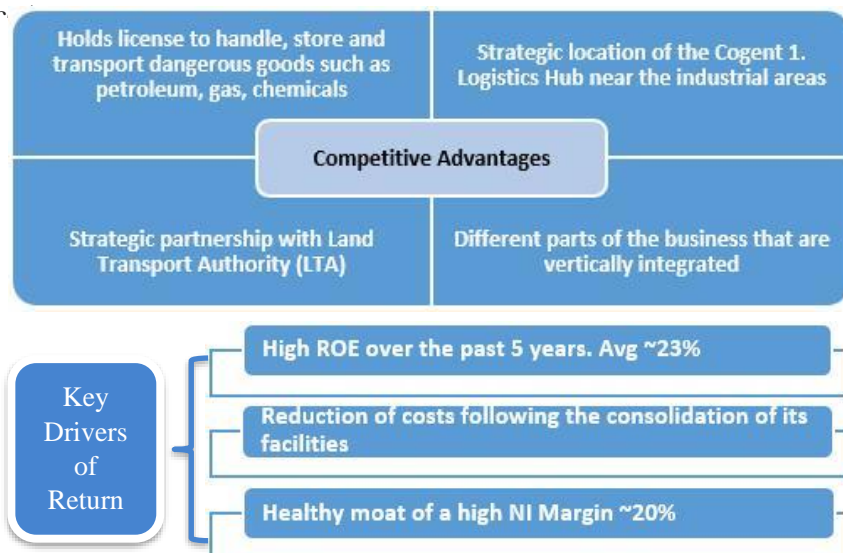
Price: SGD \$ 1.01

Price Target Period: 1 Year

Cogent Holdings Limited, one of Singapore's leading logistics management service providers, has four lines of businesses as below:

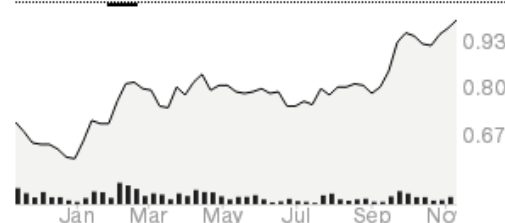
1. Warehousing and container depot management services: providing customized warehousing services like those required by petrochemical-related customers, construction customers, etc.
2. Transport management services: including trucking services which has a fleet of 100 prime-movers and 400 chassis. Other parts of the business are mainly police escort, port clearance, customs documentation, etc.
3. Automotive logistics management services: involving warehousing and storage of new and used cars before their shipment, also assisting documentation of cars in and out of the country
4. Property management: recently having leased and redeveloped a shopping hub with area of 1 million sq. feet.

Cogent 1. Logistics Hub, which boasted the world's first integrated logistics hub, is viewed as a significant milestone for the group with over 1.6 million sq. ft. in total area houses the 3 business lines (warehousing, container depot and transportation service).



Price Performance

1D 1M 1Y 5Y VIEW FULL CHART



Market Overview

| | |
|--------------------|--------------|
| Exchange | STI |
| Sector | Logistics |
| 52 wk Price Range | 0.57 - 1.02 |
| 30D Average Volume | 1,056,623 |
| Market Cap | SGD 485.677M |
| Enterprise Value | SGD 542.8M |
| Share Outstanding | 478.5M |
| P/E | 14.80 |
| EPS T12M | 0.07 |

(SGD in Mil)

| Name | M.Cap (Mil SGD) | Last Px | Rev - 1 Yr Gr:Y | EPS - 1 Yr Gr:Y | 1Y Tot Ret | P/E | ROE | Dvd 12M Yld | Debt/EBITDA LF | Debt/Tang BV LF |
|------------------------------|-----------------|---------|-----------------|-----------------|------------|------|------|-------------|----------------|-----------------|
| COGENT HOLDINGS LTD | 485.7 | 1.02 | 5.8 | 28.1 | 51.9 | 14.8 | 25.8 | 3.1 | 2.4 | 0.9 |
| Median | 1,053.2 | 25.6 | 1.4 | 17.3 | 33.7 | 15.1 | 9.6 | 1.5 | 3.1 | 0.6 |
| KAWANISHI WAREHOUSE CO LTD | 276.3 | 33.4 | 0.7 | 24.6 | 194.8 | 49.8 | 2.5 | 0.5 | 5.8 | 0.6 |
| KRS CORP | 475.7 | 37.5 | -0.3 | 22.0 | 40.9 | 13.4 | 9.1 | 1.2 | 1.7 | 0.4 |
| KONOIKE TRANSPORT CO LTD | 1,214.2 | 21.3 | 2.3 | 4.2 | 30.4 | 14.4 | 7.9 | 2.0 | 2.6 | 0.5 |
| MAINFREIGHT LTD | 2,357.8 | 23.4 | 2.1 | 16.0 | 34.1 | 24.6 | 16.7 | 1.6 | 1.5 | 0.8 |
| JAPAN TRANCITY CORP | 394.4 | 5.9 | -2.0 | -10.7 | 28.5 | 12.6 | 4.6 | 2.0 | 5.5 | 0.6 |
| SENKO GROUP HOLDINGS CO LTD | 1,429.3 | 9.3 | 4.9 | 13.1 | 5.7 | 13.1 | 10.1 | 2.8 | 3.5 | 1.0 |
| MARUWA UNYU KIKAN CO LTD | 892.2 | 27.8 | 11.3 | 18.7 | 64.8 | 25.4 | 16.0 | 1.4 | 1.2 | 0.4 |
| HITACHI TRANSPORT SYSTEM LTD | 3,655.4 | 32.7 | -2.2 | 49.9 | 33.4 | 15.9 | 10.4 | 1.3 | 3.6 | 1.1 |

Source : Bloomberg Terminal



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BUY CHGL SP

Price: SGD \$ 0.470

Price Target Period: 1 Year

Chew's Group Limited, is one of the leading producers of fresh eggs in Singapore, specializing in the production and sale of Designer Eggs, which contain specific and value-added nutrients, as well as generic eggs under the "Chew's" brand name. Chew's Agriculture is also engaged in the production and sale of liquid eggs as well as spent grains and food processing. Founded 30 years ago, the Group maintains a strong presence in retail spaces across Singapore, and is a major supplier to global food and beverage chains. Today, Chew's is a household name in Singapore and a symbol of trust for retailers and consumers alike. In 2016, it generated revenue of \$31.6 million, including net cash from operating activities of \$21.4 million as compared to \$16.0 million in 2015.

Its ROE (25.06%) is almost twice of industrial median. It also merits mentioning that the Group purchased a site of approximately 20 hectares along with a 30-year lease period. The New Site will house an integrated farming concept complete with advanced equipment and after putting into use in May 2019, Chew's Group target to attain a daily production of 580,000 eggs, with ample capacity for expansion to meet future market demand.

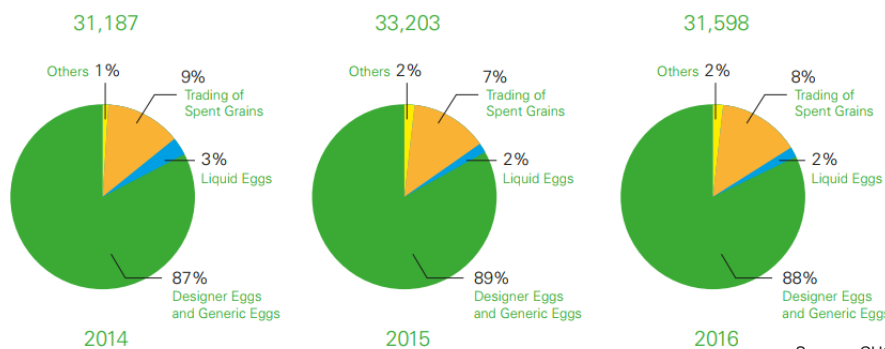
Price Performance



Market Overview

| | |
|---------------------------|---------------|
| Exchange | STI |
| Sector | Packaged Food |
| 52 wk Price Range | 0.24-0.66 |
| 30D Average Volume | 96,136 |
| Market Cap | SGD40.137M |
| Enterprise Value | SGD-2.1M |
| Share Outstanding | 84.5M |
| P/E | 1.41 |
| EPS T12M | 0.34 |

Revenue (S\$'000)



Source : CHGL 2016 Annual Report

(SGD in Mil)

| Name | Mkt Cap | Last Px | Rev - 1 Yr | EPS - 1 Yr | Gr:Y | 1Y Tot Ret | P/E | ROE | Dvd1 | Debt/EBITDA | Debt/Tang | BV/LF |
|----------------------------|----------------|-------------|-------------|--------------|------|-------------|-------------|-------------|------------|-------------|-----------|------------|
| Median | 2,616.5 | 37.0 | 2.0 | 39.5 | | 13.9 | 13.7 | 10.1 | 1.0 | 1.5 | | 0.4 |
| CHEW'S GROUP LTD | 40.1 | 0.5 | -6.9 | 139.4 | | 92.6 | 1.4 | 25.1 | 1.0 | 0.0 | | 0.0 |
| FONTERRA SHAREHOLDERS FUND | 9,528.0 | 5.9 | 11.8 | -9.7 | | 13.8 | 13.7 | 10.1 | 6.4 | 3.9 | | 1.6 |
| MORINAGA MILK INDUSTRY CO | 2,674.3 | 53.7 | -1.5 | 59.9 | | 13.9 | 13.1 | 10.4 | 1.0 | 2.4 | | 0.6 |
| MEGMILK SNOW BRAND CO LTD | 2,616.5 | 37.0 | 1.7 | 63.1 | | -1.6 | 16.4 | 10.1 | 1.3 | 2.1 | | 0.5 |
| BEGA CHEESE LTD | 1,405.8 | 7.6 | 2.6 | -15.5 | | 60.7 | 8.0 | 5.5 | 1.4 | | | 0.4 |
| EZAKI GLICO CO LTD | 4,752.5 | 68.4 | 4.4 | 39.0 | | 15.0 | 20.9 | 9.3 | 0.9 | 0.9 | | 0.2 |
| NAMYANG DAIRY PRODUCTS CO | 607.6 | 842.9 | 2.0 | 39.5 | | -0.3 | 23.7 | 1.9 | 0.1 | 0.0 | | 0.0 |

Source : Bloomberg Terminal



仁恒
YANLORD

YANLORD LAND GROUP LIMITED

Yanlord Land Group Limited (YLLG SP) is a high-end real estate developer who has exposure in China. Its properties are located in Tier-1 and -2 cities in China such as Shanghai, Nanjing, Tianjin and Shenzhen and enjoy a significant brand equity for its high quality residential development. Chinese government reintroduced various cooling measures in selected cities in the past few years, creating volatility in housing prices and stress of reducing real estate inventory. However, in the long term the market still remains positive on the outlook of real estate market in Tier-1 and -2 cities because of continuous urbanization and the rise of the affluent middle class. In 2016, YLLG displayed robust growth: It achieved revenue growth of 54.8%, outperforming the growth rate in 2015 which is 41.3%. Net profit increased by 83.7% in 2016, reaching RMB 2.7 billion. In the first half of 2017, YLLG continued robust financial performance and secured net profit of RMB 2.1 billion, a 135% increase y-o-y.

Other than satisfactory operation results, YLLG's leverage is well managed. In 2016, its net debt to equity gearing ratio hit to all time low of 20.3%. The reasonable debt ratios exposed YLLG to less financial risks.

Credit Ratios

| CREDIT RATIOS (%) | | | | | |
|--|------|------|------|------|------|
| As at 31 December | 2012 | 2013 | 2014 | 2015 | 2016 |
| Net Debt / Equity ⁽¹⁾ | 38 | 38 | 46 | 3 | 20 |
| Total Debt / Equity ⁽¹⁾ | 51 | 64 | 68 | 60 | 79 |
| Total Debt / Capitalisation ⁽²⁾ | 34 | 39 | 41 | 38 | 44 |

⁽¹⁾ Equity = Equity attributable to owners of the Company + Non-controlling interests
⁽²⁾ Capitalisation = Total debt + Equity attributable to owners of the Company + Non-controlling interests

Source : YLLG 2016 Annual Report

According to the financial data and industry comparison below, YLLG less debt ratio and lower valuation. As at the end of 2017, the company has been working on 26 constructions in progress in Chinese Tier-1 cities therefore we expect the growth of the company to be sustainable.

(SGD)

| Name | Mkt Cap | Last Price | Revenue Growth | 1-Y EPS Growth | 1-Y Price Change(%) | P/E | ROE | 12M Dividend Yield | Total Debt/EBITDA | Total Debt/Book Cap |
|---------------------------|---------|------------|----------------|----------------|---------------------|------|--------|--------------------|-------------------|---------------------|
| YANLORD LAND GROUP LTD | 3.32B | 1.72 | 54.78% | 241.57% | 24.19% | 4.65 | 15.71% | 2.53% | 3.55 | 43.03% |
| Industry Median | 6.60B | 1.69 | 18.59% | 11.62% | 44.92% | 8.99 | 9.62% | 3.20% | 7.30 | 50.19% |
| CHINA SOUTH CITY HOLDINGS | 2.82B | 0.35 | 27.74% | -40.03% | 23.93% | 3.74 | 2.46% | 2.48% | 12.36 | 53.50% |
| GREENTOWN CHINA HOLDINGS | 3.62B | 1.67 | 11.24% | 182.70% | 49.69% | 7.65 | 1.37% | 1.45% | 27.38 | 54.88% |
| KWG PROPERTY HOLDING LTD | 4.09B | 1.30 | 6.30% | 11.27% | 69.86% | 5.36 | 14.92% | 9.49% | 15.38 | 64.14% |
| YUEXIU PROPERTY CO LTD | 3.18B | 0.26 | -5.63% | 116.56% | 31.25% | 9.30 | 6.48% | 4.90% | 8.69 | 53.96% |

Source : Bloomberg Terminal

BUY

YLLG SP

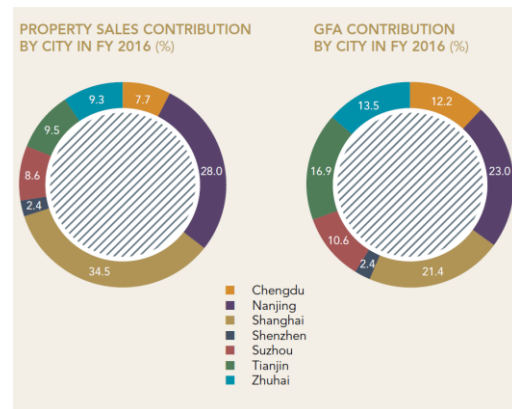
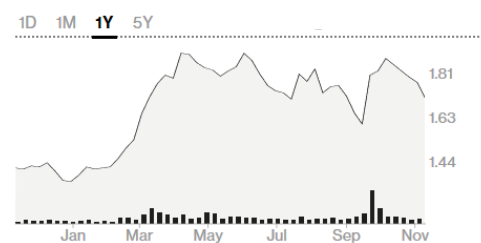
Price: SGD \$ 1.72

Price Target Period: 1 Year

Market Overview

| | |
|-------------------|-------------|
| Exchange | STI |
| Sector | Real Estate |
| 52 wk Price Range | 1.29-1.99 |
| 3M Average Volume | 3,294,342 |
| Market Cap | SGD 3.3B |
| Enterprise Value | SGD 9.2B |
| Share Outstanding | 1931.5M |
| P/E | 4.65 |
| EPS T12M | 1.81 |

Price Performance



Source : YLLG 2016 Annual Report