

Ryobi Kiso Holdings Ltd.

Won S\$27.3m Contract In Vietnam

Ryobi Kiso Holdings Ltd (Ryobi), together with its joint venture partner, Phu Cuong Co. Ltd., has secured its largest contract to date in Vietnam. This new contract brings Ryobi's total contracts secured year-to-date to S\$66.7m. The project is expected to commence in 3Q FY12 and is scheduled to be completed in 6 months. The size of the new contract is evidence that Ryobi's presence in Vietnam is still growing. Moreover, the contract shows that Vietnam will still remain a relevant market for Ryobi following its acquisitions in Australia. The project should contribute positively to Ryobi's results in the next two quarters. We maintain our forecasts and valuation at the moment pending confirmation of our view in subsequent quarters' results. **Maintain Increase Exposure.**

Key Highlights:

Project Details: The new contract was awarded by BITECO Group of Companies. BITECO had previously developed the 68-storey BITECO Financial Tower in Ho Chi Minh City. The new project is for foundation works of Ben Thanh Towers in Ho Chi Minh City. Ben Thanh Towers is a mixed development comprises of hotel, retail, commercial offices and residential apartments.

Opportunities In Vietnam: According to World Market Intelligence, Vietnam's industrial and infrastructure construction sector is expected to grow at a CAGR of 15% to 2015. Growth will be spurred by inflow of foreign direct investment into the country. We believe Ryobi still has ample room to grow in Vietnam over the next few years.

Order Book Remains Healthy: New contracts secured in 3Q FY12 was up slightly to S\$39.4m from S\$37.4m in 2Q FY12 and 26.7% higher than the average of S\$31.1m between 1Q FY11 and 2Q FY12. Following the new contracts in Vietnam, Ryobi only needs to win another S\$12.1m worth of contract in 4Q FY12 (88 days remaining) to match 3Q FY12's new contracts value.

Increase Exposure

- Intrinsic Value S\$0.215
- Prev Close S\$0.128

Main Activities

Ryobi Kiso Holdings Ltd. provides piling services and ground engineering solutions. Its projects include both public and private sectors' infrastructure and building developments. Ryobi's customers include government bodies, statutory boards, property owners, developers and main contractors.

Financial Highlights

(Y/E Jun) S\$ m	FY10	FY11	FY12F
Revenue	120.8	123.3	129.5
Gross Profit	46.7	24.4	16.2
Operating Profit	33.9	12.2	6.2
Earnings	27.4	7.8	4.3
EPS (S cts)	3.57	1.02	0.57

Source: Company, SIAS Research

Key ratios (FY12F)

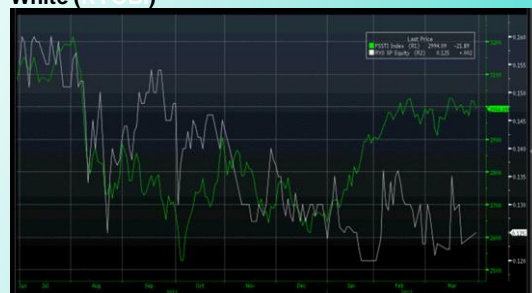
PER	22.4
P/BV	0.9
Return on Common Equity	3.8%
Return on Assets	2.2%
Gross Debt to Common Equity	43.9%
Current ratio	1.9

Source: SIAS Research

Indexed Price Chart

Green (FSSTI)

White (RYOBI)



Source: Bloomberg

52wks High-Low	S\$0.175 /S\$0.105
Number of Shares	757.55m
Market Capitalization	S\$97.0m

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Figure 1: Major New Orders in 3Q FY12

Infrastructure
<i>Marina Coastal Expressway, Contract 481</i>
Public Housing
<i>HDB Punggol East, Contract 38</i>
Commercial and Institutional
<i>Mediapolis at One North</i>
<i>Extension of Singapore Institute of Management</i>
<i>Extension of Institute of Mental Health</i>
Private Residential
<i>The Nautical at Sembawang</i>

Source: Company Data

Figure 2: Economic Profit Valuation Model

S\$m	FY12F	FY13F	FY14F
Revenue	129.5	142.4	156.6
EBIT	6.2	10.7	12.8
Tax on EBIT	-0.8	-1.4	-1.7
NOPLAT	5.4	9.3	11.1
Invested Capital	162.1	159.9	154.1
% of Debt	26.5%	29.9%	31.1%
% of Equity	73.5%	70.1%	68.9%
WACC (%)	6.0%	5.9%	5.8%
Capital Charge	9.7	9.4	9.0
Economic Profit	-4.3	-0.1	2.1
Terminal Value			57.0
Discount Rate	0.94	0.89	0.84
Present Value	-4.1	-0.1	1.8
Book Value	116.2	Risk Free Rate	1.5%
Explicit Value	-2.4	Beta	1.0
Terminal Value	48.1	Risk Premium	5.5%
Value of Equity	161.9	Cost of Equity	7.0%
Number of Shares (m)	757.5	Cost of Debt	3.7%
Value per share (S\$)	0.215	LT Growth	2.0%

Source: SIAS Research

Figure 3: Financial Forecasts and Estimates

S\$m	FY09	FY10	FY11	FY12F	FY13F	FY14F
Revenue	160.3	120.8	123.3	129.5	142.4	156.6
Gross Profit	52.4	46.7	24.4	16.2	21.4	23.5
Operating Profit	41.6	33.9	12.2	6.2	10.7	12.8
Net Profit	34.3	27.4	7.8	4.3	8.2	10.1
Attributable to Shareholders						
Total Current Assets	65.5	110.5	107.5	98.6	105.1	109.0
Total Non-Current Assets	45.4	72.5	91.5	96.6	96.6	95.9
Total Current Liabilities	52.4	50.2	48.0	51.2	63.6	66.9
Total Non-Current Liabilities	15.2	17.9	31.9	31.9	31.9	31.9
Total Equity	43.4	114.9	119.2	112.1	106.2	106.2
Cash from Operating Activities	54.3	17.1	-4.3	7.6	44.6	5.9
Cash from Investing Activities	-5.1	-27.9	-20.6	-15.0	-10.0	-10.0
Cash from Financing Activities	-37.1	26.7	10.5	-6.5	-14.1	-10.0
Net Change in Cash	12.1	15.9	-14.5	-14.0	20.5	-14.2
Inventory Days	1	1	2	2	2	2
Receivable Days	71	112	156	160	130	120
Payable Days	147	193	122	90	120	120
Return on Common Equity	92.4%	35.5%	6.8%	3.8%	7.8%	9.8%
Return on Assets	31.4%	18.8%	4.6%	2.2%	4.1%	5.0%
Gross Debt / Common Equity	45.0%	15.9%	37.0%	43.9%	46.4%	46.4%
Current Ratio	1.3	2.2	2.2	1.9	1.7	1.6
EPS (S cents)	4.48	3.57	1.03	0.57	1.09	1.33
BV / Share (S cents)	5.4	14.7	15.3	14.4	13.6	13.6
PER	2.9	3.6	12.5	22.4	11.8	9.6
P/BV	2.4	0.9	0.8	0.9	0.9	0.9

Source: Company, SIAS Research

Rating Definition:

Increase Exposure – The current price of the stock is significantly lower than the underlying fundamental value. Readers can consider increasing their exposure in their portfolio to a higher level.

Invest – The current price of the stock is sufficiently lower than the underlying fundamental value of the firm. Readers can consider adding this stock to their portfolio.

Fairly Valued – The current price of the stock is reflective of the underlying fundamental value of the firm. Readers may not need to take actions at current price.

Take Profit – The current price of the stock is sufficiently higher than the underlying fundamental value of the firm. Readers can consider rebalancing their portfolio to take advantage of the profits.

Reduce Exposure - The current price of the stock is significantly higher than the underlying fundamental value of the firm. Readers can consider reducing their holdings in their portfolio.

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