

**GICS:** Industrials/Construction & Engineering

**Business Summary:** Established since 1990, and listed recently on the SGX in January 2010, Ryobi Kiso Holdings (Ryobi) is a leading ground engineering solutions provider specialising in bored piling and eco-friendly piling and geoservices.

**Country of Incorporation:** Singapore

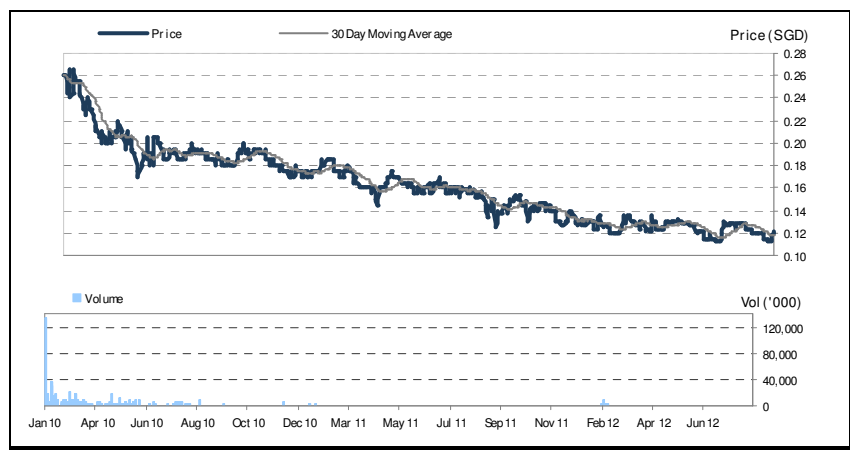
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**Place of Operations:** Singapore

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## Results Review

- Ryobi reported a net profit of SGD0.7 mln (+37% YoY) for 4QFY12 (Jun). FY12 results were ahead of our expectations, with net profit of SGD3.4 mln coming in about 16% above our estimates. The stronger performance was due to better-than-expected revenue recognition and a positive tax credit due to over-provision in prior years and tax savings from the PIC scheme. These were partially offset by weaker gross profit margin of 12.5% (vs. FY12E:13%). A first and final net DPS of 0.3 cent was declared (FY11:0.6 cent)
- FY12 group revenue increased by 24% to SGD153.3 mln due to higher contribution from bored piling operations (+33% to SGD124.2 mln) as higher value projects were carried out coupled with contribution from its larger Vietnam projects. The contribution from its eco-friendly and geo-service operations, however, declined 4% to SGD29.1 mln due to undertaking of smaller scale projects. Despite the higher revenue, the group reported a 57% decline in FY12 net profit attributable to weaker gross profit margin (-9.7%-pts to 12.5%) due to intense competition, higher material prices and depreciation charges. This was partially offset by increases in gain from machinery disposal of SGD0.5 mln, exchange gain of SGD1.8 mln and an income tax credit of SGD0.9 mln (vs. tax expense of SGD1.7 mln in FY11).
- The group's net order book presently stands at SGD104.4 mln comprising major public infrastructure projects, public housing projects, private residential condominium, commercial and institutional as well as geoservices.

## Earnings Outlook / Estimates Revision

- After fine-tuning our projections, we have kept our FY13 net profit forecast relatively unchanged after incorporating higher revenue recognition and lower taxation partially offset by lower gross margin. Meanwhile, we introduce our FY14 net profit forecast of SGD3.0 mln. With rising labor and material costs, the group will continue to improve productivity and keep a tight rein on costs to preserve its margins.
- Ryobi continues to increase its presence in Vietnam and capitalize on the country's growing demand in the property and construction sectors as the population becomes more affluent and urbanized. Ryobi has recently announced two key contracts in Vietnam totaling approximately SGD37.6 mln awarded in April 2012. Meanwhile, locally it is expected to benefit from the sustained construction demand in Singapore and HDB's move to continue to roll out another 25,000 new flats this year and at least 20,000 next year.

## Investment Risks

- A sharp rise in labor or material costs, shortage of skilled labor or increase in project execution costs can adversely affect project viability and profitability. Similarly, a slower-than-expected economic recovery and weak property demand are likely to reduce construction demand and erode profit margins due to keener competition. Overseas venture risks for its Vietnam projects such as execution risk, start-up costs and possible delays could give rise to higher operating costs, affecting its earnings.

### Key Stock Statistics

52-week Share Price Range (SGD)	0.11 - 0.15
Avg Vol - 12 months ('000 shares)	212.0
Price Performance (%)	
- 1 month	-0.8
- 3 month	6.1
- 12 month	-9.6
No. of Outstanding Shares (mln)	755.4
Free Float (%)	25.2
Market Cap (SGD mln)	92.2
Enterprise Value (SGD mln)	106.1
Major Shareholders (%)	
Tanglin Capital Pte Ltd	63.5
Ong Tiong Siew	5.0

### Per Share Data

FY Jun.	2011	2012	2013E	2014E
Book Value (SG cents)	15.26	15.10	15.18	15.28
Cash Flow (SG cents)	2.5	2.1	2.2	2.4
Reported Earnings (SG cents)	1.0	0.4	0.4	0.4
Dividend (SG cents)	0.6	0.3	0.3	0.3
Payout Ratio (%)	58.5	67.4	78.1	75.3
PER (x)	11.9	27.5	31.9	30.7
P/Cash Flow (x)	5.0	5.7	5.4	5.0
P/Book Value (x)	0.8	0.8	0.8	0.8
Dividend Yield (%)	4.9	2.5	2.5	2.5
ROE (%)	6.8	2.9	2.5	2.6
Net Gearing (%)	1.4	12.2	10.1	10.4

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**Earnings Performance**

FY Jun. / SGD mln	4Q12	4Q11	% Change
Reported Revenue	43.7	31.2	40.4
Reported Operating Profit	1.0	1.7	-40.9
Depreciation & Amortization	-3.2	-3.0	8.3
Net Interest Income / (Expense)	0.0	-0.1	-65.8
Reported Pre-tax Profit	1.0	1.4	-31.0
Reported Net Profit	0.7	0.5	36.6
Reported Operating Margin (%)	2.3	5.4	-
Reported Pre-tax Margin (%)	2.2	4.4	-
Reported Net Margin (%)	1.7	1.7	-

Source: Company data

**Profit & Loss**

FY Jun. / SGD mln	2011	2012	2013E	2014E
Reported Revenue	123.3	153.3	164.1	172.8
Reported Operating Profit	11.1	3.6	4.5	4.7
Depreciation & Amortization	-10.9	-12.8	-14.1	-15.5
Net Interest Income / (Expense)	-0.2	-0.3	-0.3	-0.3
Reported Pre-tax Profit	10.6	3.4	4.2	4.3
Effective Tax Rate (%)	16.4	NM	10.0	10.0
Reported Net Profit	7.8	3.4	2.9	3.0
Reported Operating Margin (%)	9.0	2.4	2.8	2.7
Reported Pre-tax Margin (%)	8.6	2.2	2.6	2.5
Reported Net Margin (%)	6.3	2.2	1.8	1.7

Source: Company data, S&amp;P Equity Research

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