

Singapore

HOLD (no change)

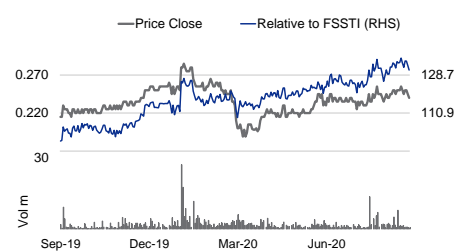
Consensus ratings*: Buy 2 Hold 2 Sell 0

Current price:	S\$0.24
Target price:	S\$0.24
Previous target:	S\$0.207
Up/downside:	0.1%
CGS-CIMB / Consensus:	-16.2%
Reuters:	FUYU.SI
Bloomberg:	FUYU SP
Market cap:	US\$132.1m
	S\$180.7m
Average daily turnover:	US\$0.29m
	S\$0.40m
Current shares o/s:	753.0m
Free float:	59.7%

*Source: Bloomberg

Key changes in this note

➤ No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-2.1	0	14.3
Relative (%)	-0.3	10.6	34.9

Major shareholders	% held
Tam Wai	12.9
Ho Nee Kit	12.9
Ching Heng Yang	11.8

Analyst(s)

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Fu Yu Corp Ltd

Looking forward to growth again

- 1H20 revenue fell 26.0% yoy due to production disruptions and weaker demand arising from the Covid-19 pandemic.
- As at end-Jun 2020, net cash formed 56.2% of Fu Yu's market cap.
- With the rightsizing of its loss-making China operations nearly completed, we expect its net profit to grow again. Reiterate Hold with a higher TP of S\$0.24.

1H20 results review

Fu Yu reported its 1H20 results on 14 Aug 2020. 1H20 revenue fell 26.0% yoy to S\$71.6m due to the impact of business disruptions and dampened demand conditions as the Covid-19 pandemic took its toll on global economies. Net profit grew 46.3% yoy to S\$7.4m aided by a foreign exchange gain of S\$2.1m and Covid-19 related government grants of S\$1.3m. Excluding these non-operational items, 1H20 net profit would have declined 28.5% yoy. A better product mix and cost control saw gross profit margin improve to 21.4% versus 18.5% in 1H19. Interim DPS was maintained at 0.35 Scts. As at end-Jun 2020, Fu Yu remained in a net cash position of S\$101.6m with zero borrowings.

Rightsizing largely completed

Fu Yu has announced that the group intends to close its factory located in Chongqing by end-Dec 2020 as part of the group's ongoing strategy to streamline and optimise its manufacturing operations across Asia. Post the closure of its factory in Chongqing, Fu Yu will operate from two owned factories (one in Dongguan and the other in Suzhou) and one leased factory in Zhuhai. Fu Yu also guided that the Chongqing factory contributed less than 10% and 1% of the group's revenue and profit before tax respectively in FY19. Fu Yu recognised S\$1.0m expenses in relation to the closure of the Chongqing factory in its 1H20 results.

Reiterate Hold

Our forecasts remain unchanged for now but TP is raised to S\$0.24 based on Gordon Growth derived P/BV multiple of 1.10x (previously 0.95x). Projected FY20F dividend yield is 6.7%. We estimate Fu Yu's net cash position as at end-FY20F to be S\$84.9m (zero debt balance sheet). As at 30 Jun, net cash was 56.2% of Fu Yu's market cap. A potential upside risk is faster-than-expected recovery from Covid-19 disruptions. Downside risks are unfavourable foreign exchange movements, increased competition and worsening Covid-19 outbreak. Higher-than-expected earnings growth could lead us to review our recommendation.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (S\$m)	197.7	194.1	175.4	184.2	193.4
Net Profit (S\$m)	11.89	12.69	12.91	14.51	16.08
Core EPS (S\$)	0.016	0.017	0.017	0.019	0.021
Core EPS Growth	166%	7%	2%	12%	11%
FD Core P/E (x)	15.20	14.24	14.00	12.45	11.24
Price To Sales (x)	0.91	0.93	1.03	0.98	0.93
DPS (S\$)	0.016	0.016	0.016	0.016	0.016
Dividend Yield	6.67%	6.67%	6.67%	6.67%	6.67%
EV/EBITDA (x)	6.53	4.14	3.82	3.20	2.61
P/FCFE (x)	9.79	7.04	10.08	10.00	8.95
Net Gearing	(51.1%)	(54.1%)	(57.3%)	(60.1%)	(63.4%)
P/BV (x)	1.10	1.10	1.10	1.08	1.06
ROE	7.22%	7.74%	7.87%	8.75%	9.51%
% Change In Core EPS Estimates			0%	0%	0%
CGS-CIMB/Consensus EPS (x)			0.90	0.92	0.89

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: 1H20 results review

FYE Dec (\$\$ m)	1HFY20	1HFY19	yoy % chg	Prev FY20F	Comments
Revenue	71.6	96.8	(26.0)	175.4	1H revenue at 41%/42% of ours and consensus full-year forecast was below expectations.
Operating costs	(257.8)	(286.7)	(10.1)	(147.6)	Cost management.
EBITDA	34.8	36.7	(5.4)	27.8	
EBITDA margin (%)	11.9	11.4	4.6	15.8	Benefitted from FX gain of S\$2.1m.
Deprn & amort.	(5.2)	(6.0)	(13.7)	(12.0)	
EBIT	8.5	6.9	23.2	15.8	
Interest income	0.7	0.8	(19.5)	1.7	
Interest expense	(0.2)	(0.3)	(32.0)	(0.5)	
Associate	(0.0)	(0.2)	na	0.0	
Exceptionals	0.0	0.0	na	0.0	
Pretax profit	8.9	7.2	23.4	17.0	
Tax	(1.6)	(2.2)	(29.3)	(4.1)	
Tax rate (%)	17.4	30.3	na	24.1	
Minority interests	0.0	0.0	na	0.0	
Net profit	7.4	5.0	46.3	12.9	1H reported net profit at 57%/47% of ours and consensus full-year forecast was above expectations.
Core net profit	7.4	5.0	46.3	12.9	Excluding S\$2.1m in FX gain, adjusted net profit would have been in line with our expectations.
EPS (cts)	1.0	0.7	46.3	1.7	
Core EPS (cts)	1.0	0.7	46.3	1.7	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Target price derivation

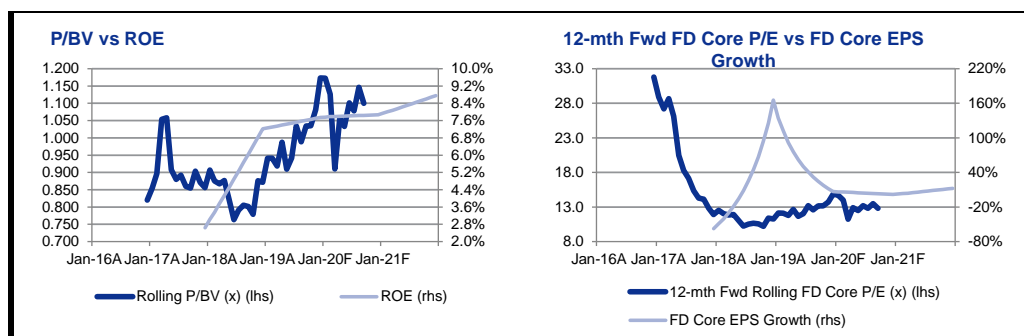
		Comments
Cost of equity	8.1%	
ROE	8.7%	Average ROE over FY20-22F
G	2.0%	Terminal growth rate assumed
ROE - G	6.7%	A
COE - G	6.1%	B
Theoretical P/BV	1.10	C = A/B (Based on Gordon Growth Model)
FY20F BVPS (\$\$)	0.219	D
TP (\$\$)	0.240	= C x D
Implied FY21F P/E (x)	12.5	
Risk free rate	1.75%	Assumed
Return on market	10.0%	Assumed
Equity risk premium	8.3%	
Beta	0.770	Assumed
Cyclicality premium	0.0%	
Cost of equity	8.103%	E
Implied fair P/E (x)	12.3	= 1/E
Last price (\$\$)	0.240	
Upside	-5.76%	F
FY20F DPS (\$\$)	0.0160	
Dividend yield	6.27%	G
Total return potential	0.52%	H = F + G
Recommendation	Hold	
FY20F NCPS (\$\$)	0.113	
As % of share price	44.2%	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Peer Comparison

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x) CY20F	P/E (x) CY21F	3-year EPS CAGR (%)	P/BV (x) CY20F	Recurring ROE (%) CY20F	Dividend Yield (%) CY20F
Fu Yu Corp Ltd	FUYU SP	Hold	0.24	0.24	132	14.0	12.5	8.1%	1.10	7.9%	6.7%
Sunningdale Tech Ltd	SUNN SP	Hold	1.25	1.16	175	29.8	26.0	-5.3%	0.65	2.2%	5.4%
Simple average (all co)						21.9	19.2	1.4%	0.87	5.1%	6.1%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(\$m)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	197.7	194.1	175.4	184.2	193.4
Gross Profit	42.3	49.9	48.8	51.1	53.4
Operating EBITDA	14.8	22.3	22.6	25.2	27.6
Depreciation And Amortisation	(7.0)	(11.7)	(12.0)	(12.4)	(12.8)
Operating EBIT	7.8	10.7	10.6	12.8	14.8
Financial Income/(Expense)	0.0	(0.5)	1.2	1.2	1.2
Pretax Income/(Loss) from Assoc.	(0.8)	(0.2)	0.0	0.0	0.0
Non-Operating Income/(Expense)	8.9	6.2	5.1	5.1	5.1
Profit Before Tax (pre-EI)	15.9	16.2	17.0	19.1	21.2
Exceptional Items	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	15.9	16.2	17.0	19.1	21.2
Taxation	(3.7)	(3.5)	(4.1)	(4.6)	(5.1)
Exceptional Income - post-tax	0.0	0.0	0.0	0.0	0.0
Profit After Tax	12.2	12.7	12.9	14.5	16.1
Minority Interests	(0.3)	0.0	0.0	0.0	0.0
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax	0.0	0.0	0.0	0.0	0.0
Other Adjustments - post-tax	0.0	0.0	0.0	0.0	0.0
Net Profit	11.9	12.7	12.9	14.5	16.1
Recurring Net Profit	11.9	12.7	12.9	14.5	16.1
Fully Diluted Recurring Net Profit	11.9	12.7	12.9	14.5	16.1

Cash Flow

(\$m)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	14.84	22.31	22.64	25.15	27.62
Cash Flow from Inv. & Assoc.	0.80	0.21	0.00	0.00	0.00
Change In Working Capital	3.09	2.64	2.81	(1.13)	(1.19)
(Incr)/Decr in Total Provisions	0.00	0.00	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	6.99	11.65	0.00	0.00	0.00
Other Operating Cashflow	(1.90)	(8.40)	5.25	4.64	4.64
Net Interest (Paid)/Received	1.60	1.25	0.00	0.00	0.00
Tax Paid	(2.10)	(2.30)	(4.08)	(4.58)	(5.08)
Cashflow From Operations	23.32	27.36	26.62	24.08	25.99
Capex	(7.23)	(7.28)	(10.40)	(7.70)	(7.50)
Disposals Of FAs/subsidiaries	0.00	0.00	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	0.00	0.00	0.00	0.00	0.00
Other Investing Cashflow	2.37	5.59	1.70	1.70	1.70
Cash Flow From Investing	(4.86)	(1.69)	(8.70)	(6.00)	(5.80)
Debt Raised/(repaid)	0.00	0.00	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00	0.00
Dividends Paid	(12.05)	(12.05)	(12.05)	(12.05)	(12.05)
Preferred Dividends	0.00	0.00	0.00	0.00	0.00
Other Financing Cashflow	(21.37)	(5.11)	0.00	0.00	0.00
Cash Flow From Financing	(33.42)	(17.16)	(12.05)	(12.05)	(12.05)
Total Cash Generated	(14.97)	8.51	5.88	6.03	8.15
Free Cashflow To Equity	18.46	25.67	17.92	18.08	20.19
Free Cashflow To Firm	18.46	26.12	17.92	18.08	20.19

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(S\$m)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	83.9	88.5	94.3	100.4	108.5
Total Debtors	56.4	51.7	45.2	47.4	49.8
Inventories	16.9	16.4	14.4	15.1	15.9
Total Other Current Assets	0.0	0.0	1.7	1.7	1.7
Total Current Assets	157.3	156.5	155.6	164.6	175.9
Fixed Assets	44.8	54.0	60.3	55.6	50.3
Total Investments	8.7	8.4	0.0	0.0	0.0
Intangible Assets	0.0	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	0.8	0.2	0.2	0.2	0.2
Total Non-current Assets	54.3	62.6	60.5	55.8	50.5
Short-term Debt	0.0	0.0	0.0	0.0	0.0
Current Portion of Long-Term Debt	0.0	0.0	0.0	0.0	0.0
Total Creditors	43.0	40.9	37.0	38.9	40.8
Other Current Liabilities	3.5	5.7	5.8	5.8	5.8
Total Current Liabilities	46.5	46.7	42.8	44.6	46.6
Total Long-term Debt	0.0	0.0	0.0	0.0	0.0
Hybrid Debt - Debt Component	0.0	0.0	0.0	0.0	0.0
Total Other Non-Current Liabilities	1.0	8.8	8.8	8.8	8.8
Total Non-current Liabilities	1.0	8.8	8.8	8.8	8.8
Total Provisions	0.0	0.0	0.0	0.0	0.0
Total Liabilities	47.5	55.4	51.6	53.4	55.4
Shareholders' Equity	164.1	163.6	164.5	167.0	171.0
Minority Interests	0.0	0.0			
Total Equity	164.1	163.6	164.5	167.0	171.0

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	1.40%	(1.81%)	(9.65%)	5.02%	5.00%
Operating EBITDA Growth	6.8%	50.4%	1.5%	11.1%	9.8%
Operating EBITDA Margin	7.5%	11.5%	12.9%	13.7%	14.3%
Net Cash Per Share (S\$)	0.11	0.12	0.13	0.13	0.14
BVPS (S\$)	0.22	0.22	0.22	0.22	0.23
Gross Interest Cover	N/A	23.68	21.28	25.50	29.63
Effective Tax Rate	23.4%	21.7%	24.0%	24.0%	24.0%
Net Dividend Payout Ratio	101%	95%	93%	83%	75%
Accounts Receivables Days	109.7	101.6	101.0	91.8	91.8
Inventory Days	40.62	42.15	44.53	40.55	40.49
Accounts Payables Days	106.3	106.2	112.7	104.0	103.8
ROIC (%)	10.1%	14.7%	14.1%	16.1%	19.6%
ROCE (%)	4.49%	6.50%	7.52%	8.72%	9.77%
Return On Average Assets	5.45%	6.10%	5.38%	6.10%	6.66%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
ASP Change (% , Main Product)	1.4%	-14.7%	-15.0%	5.0%	5.0%
Unit sales growth (% , main prod)	N/A	N/A	N/A	N/A	N/A
No. Of Lines (main Product)	N/A	N/A	N/A	N/A	N/A
Rev per line (US\$, main prod)	N/A	N/A	N/A	N/A	N/A
ASP chg (% , 2ndary prod)	16.6%	5.0%	-12.5%	5.0%	5.0%
Unit sales grth (% , 2ndary prod)	N/A	N/A	N/A	N/A	N/A
No. Of Lines (secondary Product)	N/A	N/A	N/A	N/A	N/A
Rev per line (US\$, 2ndary prod)	N/A	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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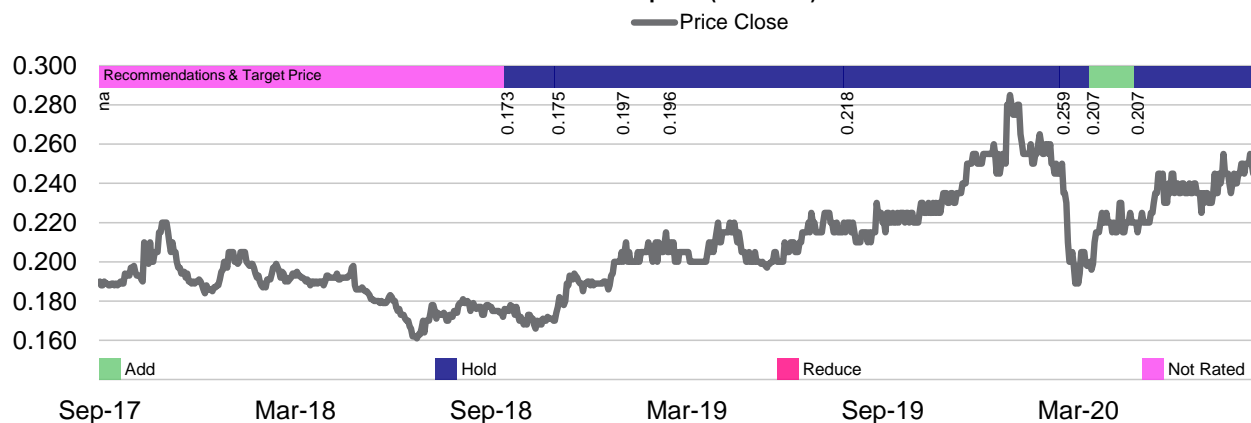
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Add	60.1%	0.4%
Hold	25.9%	0.1%
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Spitzer Chart for stock being researched (2 year data)
Fu Yu Corp Ltd (FUYU SP)

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2019, Anti-Corruption 2019

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1 CG Score 2019 from Thai Institute of Directors Association (IOD)

2 AGM Level 2018 from Thai Investors Association

3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into:

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4 The Stock Exchange of Thailand : the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:

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