

Cogent Holdings Ltd

Proven integrated-hub model with further potential

SINGAPORE | LOGISTICS SERVICES | RESULTS

- Top line growth with improving margins propel bottom line growth.
- Potential appointment by Singapore Economic Development Board (EDB) as developer of multi-purpose logistics hub on Jurong Island.
- Maintain BUY, with DDM-backed valuation of S\$0.54.

What is the news?

Cogent Holdings Ltd ("Cogent") announced its 3Q FY15 (Y/E Dec) results on 12 November after trading hours.

Results at a glance

(SGD mn)	3Q15	3Q14	y-y (%)	Comments
Revenue	32.8	32.1	↑2.3	Driven by warehousing operations at the integrated logistics hub, container depot and automotive logistics
EBITDA	11.0	9.5	↑16.0	
EBIT	8.9	7.7	↑14.8	Operating margin improved to 27.0% from 24.1%
Net Income, adj.	6.9	6.3	↑9.4	Net margin improved to 21.1% from 19.7%

Source: Company, Phillip Securities Research (Singapore)

How do we view this?

- Consolidation to Cogent 1. Logistics Hub has been effective.** Rental expense in 3Q FY15 was 9.4% lower y-o-y as a result of cessation of 2 warehouse leases during 2H FY14. Depreciation in 3Q FY15 was 19% higher y-o-y arising from the new Integrated Logistics Hub. The net effect was a cost savings of S\$322,000 from these two expense items.
- Full year earnings are set to outperform previous year.** 9M FY15 EPS stands at 3.79 Cents. FY14 core-recurring EPS was 3.92 Cents (adjusting out one-off gain from disposal of property). 9M FY15 EPS is already similar to FY14 core-recurring EPS.
- Proven experience in developing one-of-its-kind Cogent 1. Logistics Hub opens up new opportunities.** Potential appointment from EDB to develop a multi-purpose logistics hub was announced on 12 October. The purpose of the logistics hub is to support manufacturing operations on Jurong Island. The planned logistics hub is to and occupy up to 6 hectares of land with a total built-up area of c. 150,000 sqm.

Investment Actions

We like Cogent stock for its superior ROE (low twenties) and strong free cash flow. Margins are expanding as a consequence of efforts to consolidate operations at its integrated logistics hub. We have a DDM-backed price target of S\$0.54. Reiterate BUY.

13 November 2015

BUY (Maintained)

CLOSING PRICE	SGD 0.390
FORECAST DIV	SGD 0.031
TARGET PRICE	SGD 0.540
TOTAL RETURN	46.5%

COMPANY DATA

O/S SHARES (MN) :	479
MARKET CAP (USD mn / SGD mn) :	131 / 187
52 - WK HI/LO (SGD) :	0.44 / 0.3
3M Average Daily T/O (mn) :	0.16

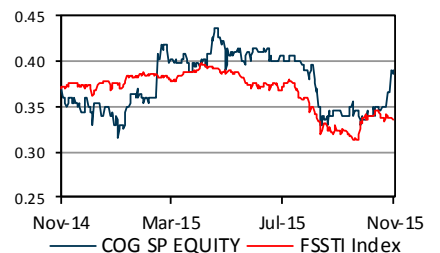
MAJOR SHAREHOLDERS (%)

YEOW KHOON TAN	70.3%
YEOW LAM TAN	13.6%
MIN CHEOW TAN	0.5%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1Y R
COMPANY	14.9	13	9.6
STIRETURN	(0.5)	(4.7)	(6.4)

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY 13	FY 14	FY 15e	FY 16e
Revenue (SGD mn)	112.8	118.5	126.3	130.9
NPAT, adj (SGD mn)	15.1	18.8	23.0	25.6
EPS, adj. (Cents)	3.16	3.92	4.81	5.35
P/E, adj. (x)	7.6	8.9	8.1	7.3
BVPS (Cents)	16.29	20.18	21.23	23.46
P/B (x)	15	17	18	17
DPS (Cents)	126	3.76	3.12	3.48
Div. Yield (%)	5.3	10.7	8.0	8.9

Source: Company Data, PSR est.

VALUATION METHOD

DDM (Cost of equity: 7.4%; Terminal g: 10%)

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Financials

Income Statement

Y/E Dec, SGD mn	FY12	FY13	FY14	FY15e	FY16e
Revenue	96.2	112.8	118.5	126.3	130.9
Other operating income	0.5	1.1	2.4	1.8	1.8
EBITDA	14.7	23.9	30.6	39.2	41.7
Depreciation & Amortisation	4.7	5.5	6.8	8.6	8.6
EBIT	10.1	18.4	23.8	30.6	33.0
Net Finance (Expense)/Inc	(0.1)	(0.1)	(0.9)	(2.9)	(2.6)
Other items	-	-	-	-	-
Associates & JVs	(0.2)	(0.2)	(0.1)	-	-
Exceptional items	-	-	5.9	-	-
Profit Before Tax	9.7	18.1	28.8	27.8	30.5
Taxation	(2.0)	(2.9)	(4.0)	(4.6)	(4.7)
Profit After Tax	7.8	15.2	24.8	23.0	25.6
- Non-controlling interest	-	-	-	-	-
Net Income, reported	7.8	15.1	24.7	23.0	25.6
Net Income, adj.	7.8	15.1	18.8	23.0	25.6

Per share data (Cents)

Y/E Dec	FY12	FY13	FY14	FY15e	FY16e
EPS, reported	1.62	3.16	5.15	4.81	5.35
EPS, adj.	1.62	3.16	3.92	4.81	5.35
DPS	0.20	1.26	3.76	3.12	3.48
BVPS	13.33	16.29	20.18	21.23	23.46

Cash Flow

Y/E Dec, SGD mn	FY12	FY13	FY14	FY15e	FY16e
CFO					
PBT	9.7	18.0	28.6	27.6	30.4
Adjustments	5.0	5.7	0.6	11.4	11.2
WC changes	16.5	24.2	(5.6)	1.0	0.6
Cash generated from ops	31.3	47.9	23.7	40.1	42.2
Others	(0.9)	(2.2)	(2.9)	(4.6)	(4.7)
Cashflow from ops	30.4	45.8	20.8	35.5	37.4
CFI					
CAPEX, net	(27.4)	(30.7)	(2.4)	(10.8)	(11.0)
Divd from associates & JVs	0.0	0.0	0.0	-	-
Others	(0.1)	0.1	0.1	0.1	0.1
Cashflow from investments	(27.4)	(30.6)	(2.3)	(10.7)	(10.9)
CFF					
Share issuance, net	-	-	-	-	-
Loans, net of repayments	(2.8)	(2.4)	(4.0)	(10.8)	(14.2)
Dividends	-	(1.0)	(6.0)	(18.0)	(14.9)
Others	(0.0)	2.0	(1.9)	(3.0)	(2.7)
Cashflow from financing	(2.8)	(1.3)	(12.0)	(31.8)	(31.8)
Net change in cash	0.1	13.9	6.5	(7.0)	(5.3)
Effects of exchange rates	-	-	-	-	-
CCE, end	32.2	46.1	52.7	45.7	40.4

Source: Company, Phillip Securities Research (Singapore) Estimates

*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.

Balance Sheet

Y/E Dec, SGD mn	FY12	FY13	FY14	FY15e	FY16e
ASSETS					
PPE	49.0	124.3	187.9	189.1	190.5
Intangibles	-	-	-	-	-
Associates & JVs	0.42	0.20	-	-	-
Investments	0.04	0.04	0.04	0.04	0.04
Others	2.2	1.3	1.9	1.9	1.9
Total non-current assets	51.7	125.8	189.8	191.0	192.4
Inventories	-	-	-	-	-
Trade Receivables	16.5	16.3	16.8	17.9	18.6
Investments	0.02	0.02	0.03	0.03	0.03
Cash	35.6	47.3	53.4	46.5	41.2
Others	3.9	3.8	3.2	3.4	3.5
Total current assets	55.9	67.3	73.4	67.8	63.3
Total Assets	107.6	193.1	263.3	258.8	255.7
LIABILITIES					
Short term loans	2.2	3.7	10.8	14.2	7.6
Accounts Payables	5.5	7.3	5.7	6.1	6.3
Others	25.2	46.6	35.1	37.1	37.2
Total current liabilities	33.0	57.5	51.6	57.4	51.2
Long term loans	3.4	50.2	112.5	98.3	90.7
Others	7.5	7.4	2.6	1.6	1.6
Total non-current liabilities	10.9	57.7	115.1	99.9	92.3
Total Liabilities	43.9	115.2	166.7	157.2	143.4
EQUITY					
Non-controlling interest	-	-	-	-	-
Shareholder Equity	63.8	77.9	96.6	101.6	112.3

Valuation Ratios

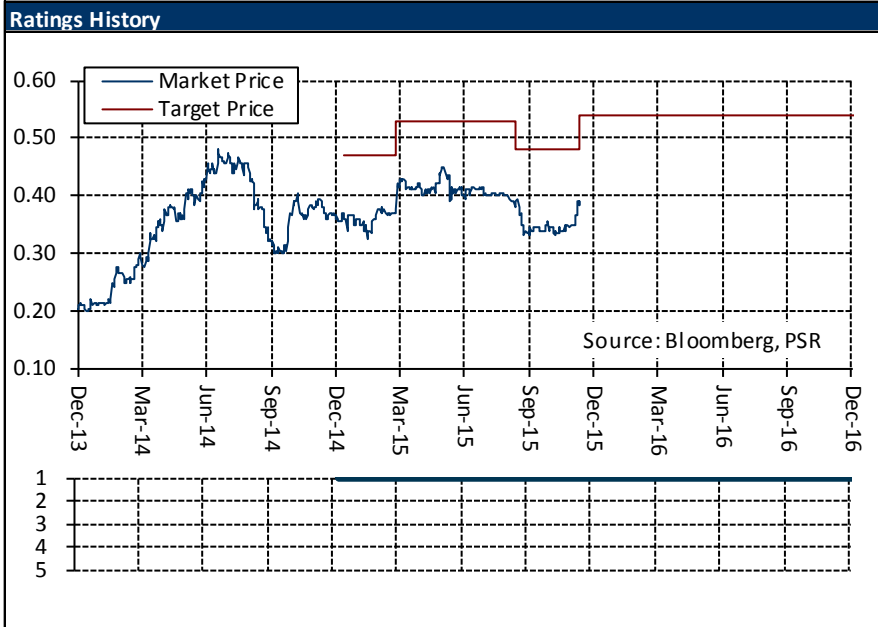
Y/E Dec	FY12	FY13	FY14	FY15e	FY16e
P/E (X), adj.	8.3	7.6	8.9	8.1	7.3
P/B (X)	1.0	1.5	1.7	1.8	1.7
EV/EBITDA (X), adj.	2.3	5.1	7.8	6.4	5.8
Dividend Yield (%)	1.5%	5.3%	10.7%	8.0%	8.9%

Growth & Margins (%)

Growth					
Revenue	46.6%	17.3%	5.0%	6.6%	3.7%
EBITDA	73.9%	62.3%	28.1%	28.2%	6.3%
EBIT	136.1%	82.7%	29.5%	28.6%	7.9%
Net Income, adj.	138.6%	95.0%	24.1%	22.5%	11.4%
Margins					
EBITDA margin	15.3%	21.2%	25.8%	31.0%	31.8%
EBIT margin	10.5%	16.3%	20.1%	24.2%	25.2%
Net Profit Margin	8.1%	13.4%	15.8%	18.2%	19.6%

Key Ratios

Key Ratios					
ROE (%)	13.0%	21.4%	21.5%	23.2%	24.0%
ROA (%)	8.3%	10.1%	8.2%	8.8%	10.0%
Net Debt or (Net Cash)	(30.0)	6.6	69.9	66.0	57.1
Net Gearing (X)	Net Cash	8.5%	72.3%	65.0%	50.9%



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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