

Singapore

ADD (no change)

Consensus ratings*: Buy 1 Hold 2 Sell 0

Current price:	S\$1.00
Target price:	S\$1.22
Previous target:	S\$1.22
Up/downside:	22.1%
CGS-CIMB / Consensus:	3.6%
Reuters:	RVHL.SI
Bloomberg:	RSTON SP
Market cap:	US\$541.3m
	S\$737.4m
Average daily turnover:	US\$0.21m
	S\$0.28m
Current shares o/s:	741.1m
Free float:	32.6%

*Source: Bloomberg

Key changes in this note

➤ No changes


Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-12	-11.2	-0.5
Relative (%)	-9.1	-10.9	8.9

Major shareholders	% held
Ringlet Investment Limited	50.8
Lee Wai Keong	10.9
Wong Teck Choon	3.2

Analyst(s)



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Riverstone Holdings

Look past 1Q19 for possible growth recovery

- 1Q19 results were a slight disappointment, with net profit of RM30.2m making up 21.3%/20.7% of our/consensus' FY19F forecasts.
- EBITDA margins were stable over past 3 quarters; look ahead to 2H19 for potential margin uplift on favourable FX trend and lower raw material prices.
- We deem the current valuation at a 32% discount to peers as undemanding. Maintain Add with an unchanged TP of S\$1.22.

1Q19 results were a slight disappointment

1Q19 revenue grew 14.6% on the back of an enlarged annual glove capacity of 9bn compared to previous year. However, despite that, net profit of RSTON declined 2.8% yoy (-8.2% qoq) to RM30.2m, which we deem slightly disappointing at 21.3%/20.7% of our/consensus' FY19F forecasts. The decline was mainly due to a drop in ASPs for healthcare gloves and higher taxation as a result of higher profits from subsidiaries that do not benefit from tax incentives.

Margins stable in past 3 quarters despite sliding from a year ago

EBITDA margins have largely remained stable in the 19.2-19.8% range in the past three quarters, despite sliding to 19.5% for the quarter, from 21.7% a year ago. The yoy drop in margin resulted from lower ASP of healthcare gloves to reflect the lower price of butadiene, a key raw material, and possibly from slower sales growth in the higher-margin cleanroom gloves, in our view.

Look ahead to capacity expansion, favourable US\$/RM trend

Phase 6 expansion is on track to increase its annual production capacity by another 1.4bn pieces or 15.6%, which will bring it up to 10.4bn by end-2019. Apart from lower raw material prices, the recent strengthening of the US\$ against RM since Mar 19 could also work in RSTON's favour, if the trend continues. This could potentially help to lift operating margins which could put RSTON back on an earnings growth path in 2H19. We therefore leave our FY19-21F EPS forecasts unchanged.

Maintain Add

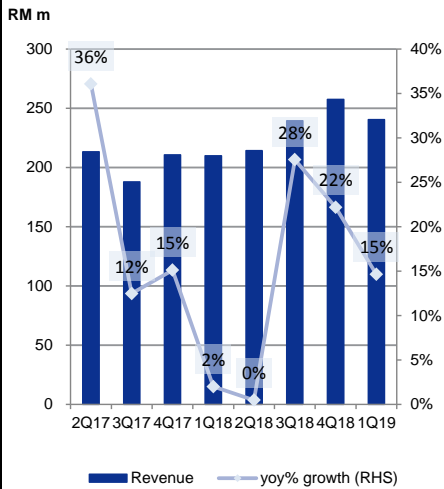
We maintain our Add call on RSTON with an unchanged TP of S\$1.22, based on 16.5x FY20F P/E, a 19% discount to its Malaysian peers' average of 20.1x. At 13.7x FY20F P/E which represents a 32% discount to Malaysian peers, we deem RSTON's valuation to be undemanding. Re-rating catalysts are margin uplift that could result from stronger sales growth in cleanroom gloves. Key risks include sharp increases in raw material costs and intensified competition in the nitrile glove segment.

Financial Summary

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue (RMm)	817	921	1,072	1,215	1,355
Operating EBITDA (RMm)	182.0	191.3	212.3	244.0	269.8
Net Profit (RMm)	127.6	129.7	142.0	163.8	180.5
Core EPS (RM)	0.17	0.17	0.19	0.22	0.24
Core EPS Growth	1.8%	1.6%	9.5%	15.3%	10.2%
FD Core P/E (x)	17.64	17.36	15.85	13.75	12.47
DPS (RM)	0.070	0.068	0.070	0.075	0.080
Dividend Yield	2.30%	2.22%	2.30%	2.47%	2.63%
EV/EBITDA (x)	11.87	11.36	10.41	9.01	8.07
P/FCFE (x)	38.7	62.1	176.2	35.1	29.6
Net Gearing	(14.1%)	(10.9%)	(5.0%)	(5.7%)	(7.0%)
P/BV (x)	3.56	3.17	2.81	2.47	2.17
ROE	21.5%	19.3%	18.8%	19.1%	18.5%
% Change In Core EPS Estimates			0.001%	0.001%	0.001%
CIMB/consensus EPS (x)			1.01	1.16	1.22

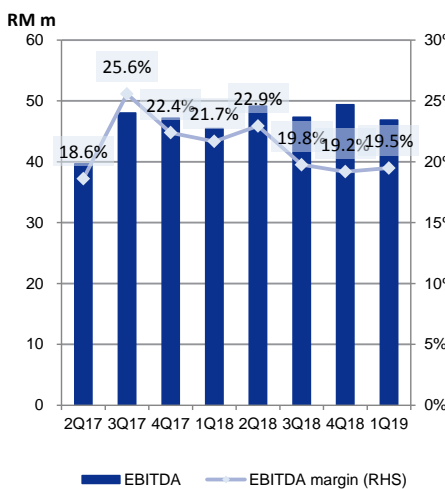
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: Historical revenue



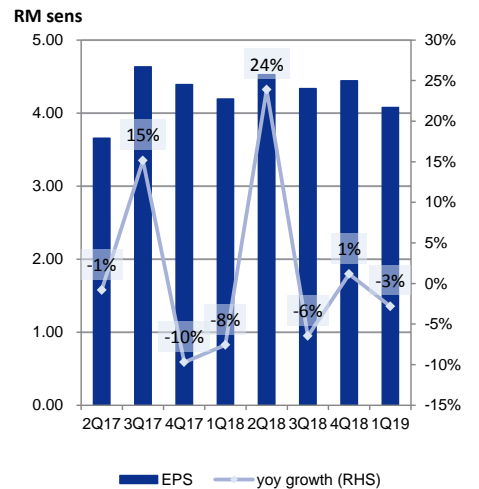
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Historical EBITDA and margins



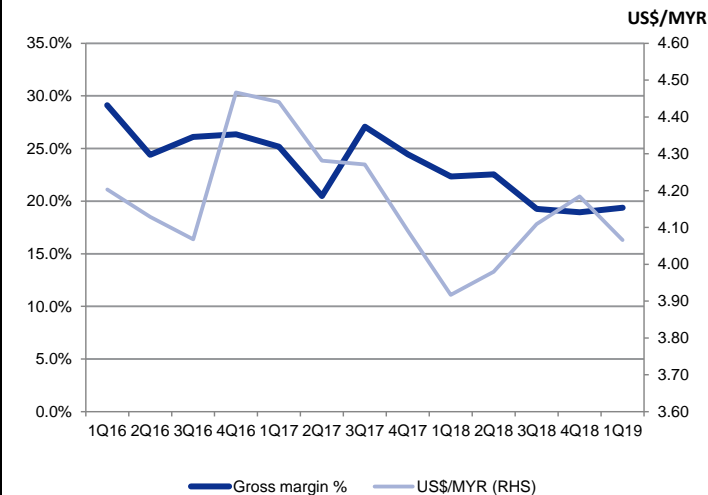
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Historical EPS and growth



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: Gross margins vs. US\$/RM exchange rate



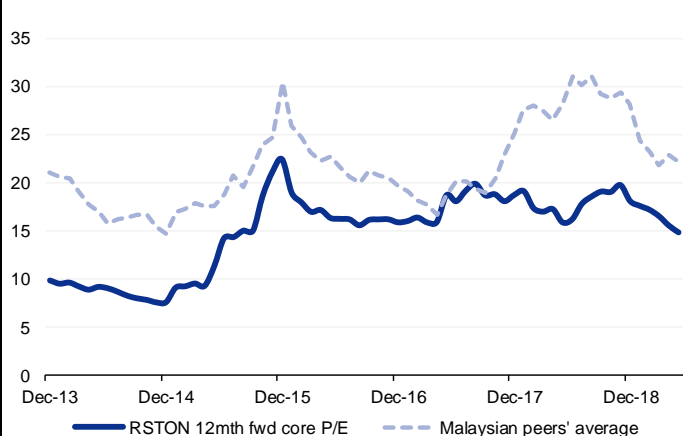
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 5: Butadiene prices



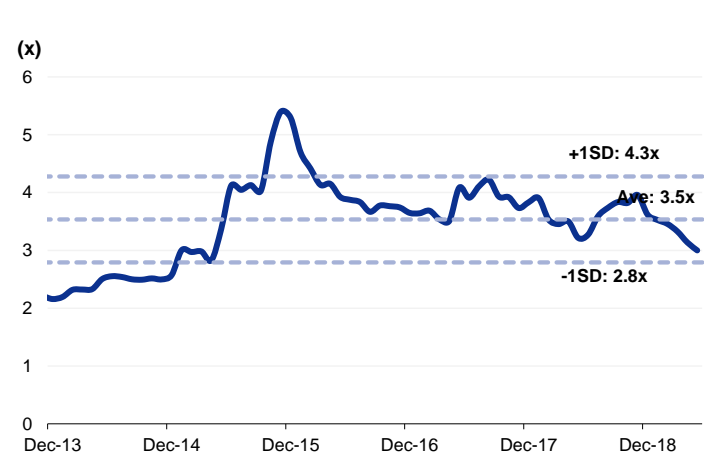
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 6: Valuation gap based on historical forward P/E basis between RSTON and Malaysian peers



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 7: Riverstone's current P/BV trading band (x)



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 8: Results comparison

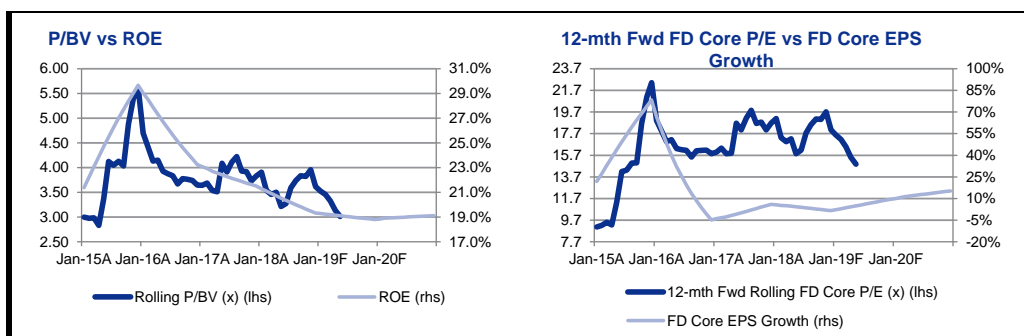
FYE Dec (RM)	1QFY19	1QFY18	yoy % chg	qoq % chg	1QFY19 Cum	1QFY18 Cum	yoy % chg	Prev FY19F	Comments
Revenue	241	210	14.6	(6.6)	241	210	14.6	1,071	In line as 1H typically weaker; 1Q19 formed 22%/23% of our/consensus forecasts
Operating costs	(194)	(164)	17.8	(6.9)	(194)	(164)	17.8	(859)	Mainly higher cost of sales
EBITDA	47	45	3.1	(5.1)	47	45	3.1	212	
EBITDA margin (%)	19.5	21.7	(10.1)	1.6	19.5	21.7	(10.1)	19.8	Lower gross margins
Depn. & amort.	(11.7)	(10.0)	16.4	6.9	(11.7)	(10.0)	16.4	(48.2)	
EBIT	35	35	(0.6)	(8.5)	35	35	(0.6)	164	
Interest expense	(0.2)	(0.3)	(22.1)	(8.8)	(0.2)	(0.3)	(22.1)	(0.9)	
Interest income	0.6	0.5	14.3	7.7	0.6	0.5	14.3	2.0	
Associates' contrib	-	-	nm	nm	-	-	nm	-	
Exceptionals	-	-	na	na	-	-	nm	-	
Pretax profit	35.6	35.7	(0.3)	(8.3)	35.6	35.7	(0.3)	165.1	
Tax	(5.4)	(4.6)	16.9	(8.3)	(5.4)	(4.6)	16.9	(23.1)	
Tax rate (%)	15.1	12.9	17.2	(0.1)	15.1	12.9	17.2	14.0	
Minority interests	-	-	na	na	-	-	na	-	
Net profit	30.2	31.1	(2.8)	(8.2)	30.2	31.1	(2.8)	142.0	Slightly disappoints with 1Q19 accounting for 21%/21% of our/consensus FY19F forecasts
Core net profit	30.2	31.1	(2.8)	(8.2)	30.2	31.1	(2.8)	142.0	Slightly disappoints with 1Q19 accounting for 21%/21% of our/consensus FY19F
EPS (RM sens)	4.1	4.2	(2.8)	(8.2)	4.1	4.2	(2.8)	19.2	
Core EPS (RM sens)	4.1	4.2	(2.8)	(8.2)	4.1	4.2	(2.8)	19.2	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 9: Peer Comparison

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x)			3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%) CY19F	Dividend Yield (%) CY19F
						CY19F	CY20F	CY21F		CY19F	CY20F		
Riverstone Holdings	RSTON SP	Add	1.00	1.22	541	15.9	13.7	12.5	10.5%	2.81	2.47	18.9%	2.3%
Malaysia glovemakers													
Hartalega Holdings	HART MK	Hold	4.83	4.80	3,886	33.9	29.2	25.9	11.9%	6.77	6.20	21.0%	1.8%
Kossan Rubber Industries	KRI MK	Add	3.66	4.80	1,126	19.6	17.0	15.6	13.9%	3.23	2.93	17.2%	2.3%
Supermax Corp	SUCB MK	Add	1.48	2.23	467	14.3	12.2	na	na	1.60	1.49	11.6%	3.2%
Top Glove Corporation	TOPG MK	Add	4.67	5.08	2,871	24.7	22.0	na	na	4.43	4.01	18.7%	4.1%
Simple average (ex Riverstone)						23.1	20.1	20.7	12.9%	4.01	3.66	17.1%	2.8%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG (AS AT 13 MAY 2019)

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Net Revenues	817.4	921.0	1,071.7	1,215.0	1,354.5
Gross Profit	197.8	190.0	207.4	234.9	256.2
Operating EBITDA	182.0	191.3	212.3	244.0	269.8
Depreciation And Amortisation	(34.5)	(41.3)	(48.2)	(54.7)	(61.0)
Operating EBIT	147.5	150.0	164.1	189.4	208.8
Financial Income/(Expense)	1.1	1.1	1.1	1.1	1.1
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	148.6	151.1	165.1	190.4	209.9
Exceptional Items	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	148.6	151.1	165.1	190.4	209.9
Taxation	(21.0)	(21.4)	(23.1)	(26.7)	(29.4)
Exceptional Income - post-tax					
Profit After Tax	127.6	129.7	142.0	163.8	180.5
Minority Interests	0.0	0.0	0.0	0.0	0.0
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	127.6	129.7	142.0	163.8	180.5
Recurring Net Profit	127.6	129.7	142.0	163.8	180.5
Fully Diluted Recurring Net Profit	127.6	129.7	142.0	163.8	180.5

Cash Flow

(RMm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
EBITDA	182.0	191.3	212.3	244.0	269.8
Cash Flow from Inv. & Assoc.	0.0	0.0	0.0	0.0	0.0
Change In Working Capital	(11.9)	(2.8)	(62.1)	(27.0)	(26.3)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(6.6)	1.0	0.0	0.0	0.0
Net Interest (Paid)/Received	1.1	1.1	1.1	1.1	1.1
Tax Paid	(21.3)	(23.4)	(23.1)	(26.7)	(29.4)
Cashflow From Operations	143.5	167.3	128.2	191.4	215.2
Capex	(111.3)	(108.0)	(115.4)	(127.3)	(139.2)
Disposals Of FAs/subsidiaries	1.0	0.1	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	(18.2)	0.0	0.0	0.0
Other Investing Cashflow	0.0	0.0	0.0	0.0	0.0
Cash Flow From Investing	(110.3)	(126.0)	(115.4)	(127.3)	(139.2)
Debt Raised/(repaid)	25.0	(5.0)	0.0	0.0	0.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0	0.0
Shares Repurchased					
Dividends Paid	(48.1)	(51.9)	(50.0)	(51.9)	(55.6)
Preferred Dividends					
Other Financing Cashflow	0.0	0.0	0.0	0.0	0.0
Cash Flow From Financing	(23.1)	(56.9)	(50.0)	(51.9)	(55.6)
Total Cash Generated	10.1	(15.7)	(37.3)	12.2	20.4
Free Cashflow To Equity	58.2	36.2	12.8	64.1	76.0
Free Cashflow To Firm	34.2	42.2	13.7	65.1	77.0

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Cash And Equivalents	114.3	97.0	59.8	72.0	92.4
Total Debtors	144.8	158.2	205.5	233.0	259.8
Inventories	71.1	83.6	118.4	134.3	150.5
Total Other Current Assets	18.6	20.9	24.2	27.3	30.3
Total Current Assets	348.8	359.8	407.9	466.6	533.0
Fixed Assets	419.8	484.4	551.6	624.2	702.4
Total Investments	0.0	0.0	0.0	0.0	0.0
Intangible Assets	0.0	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	9.7	28.6	28.6	28.6	28.6
Total Non-current Assets	429.6	513.0	580.2	652.8	731.0
Short-term Debt	6.0	7.0	7.0	7.0	7.0
Current Portion of Long-Term Debt					
Total Creditors	101.6	126.0	149.2	168.6	188.3
Other Current Liabilities	7.9	6.9	6.9	6.9	6.9
Total Current Liabilities	115.5	139.9	163.1	182.5	202.2
Total Long-term Debt	19.0	13.0	13.0	13.0	13.0
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0.2	0.3	0.3	0.3	0.3
Total Non-current Liabilities	19.2	13.3	13.3	13.3	13.3
Total Provisions	11.0	10.7	10.7	10.7	10.7
Total Liabilities	145.8	163.8	187.0	206.4	226.2
Shareholders' Equity	632.6	709.0	801.0	912.9	1,037.8
Minority Interests	0.0	0.0	0.0	0.0	0.0
Total Equity	632.6	709.0	801.0	912.9	1,037.8

Key Ratios

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	24.8%	12.7%	16.4%	13.4%	11.5%
Operating EBITDA Growth	8.4%	5.1%	11.0%	14.9%	10.6%
Operating EBITDA Margin	22.3%	20.8%	19.8%	20.1%	19.9%
Net Cash Per Share (RM)	0.12	0.10	0.05	0.07	0.10
BVPS (RM)	0.85	0.96	1.08	1.23	1.40
Gross Interest Cover	144.2	158.6	173.5	200.2	220.8
Effective Tax Rate	14.1%	14.2%	14.0%	14.0%	14.0%
Net Dividend Payout Ratio	40.7%	38.6%	36.5%	33.9%	32.8%
Accounts Receivables Days	63.67	60.05	61.95	66.05	66.39
Inventory Days	40.67	38.64	42.66	47.18	47.31
Accounts Payables Days	56.59	56.82	58.10	59.34	59.31
ROIC (%)	31.8%	27.0%	25.5%	24.5%	24.0%
ROCE (%)	24.2%	21.6%	21.1%	21.6%	21.0%
Return On Average Assets	17.5%	15.6%	15.2%	15.4%	15.1%

Key Drivers

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , main prod./serv.)	20.2%	5.5%	5.7%	7.6%	5.2%
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% ,2ndary prod/serv)	20.2%	28.7%	18.1%	16.3%	14.3%
Util. rate (% , 2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,2ndary)	N/A	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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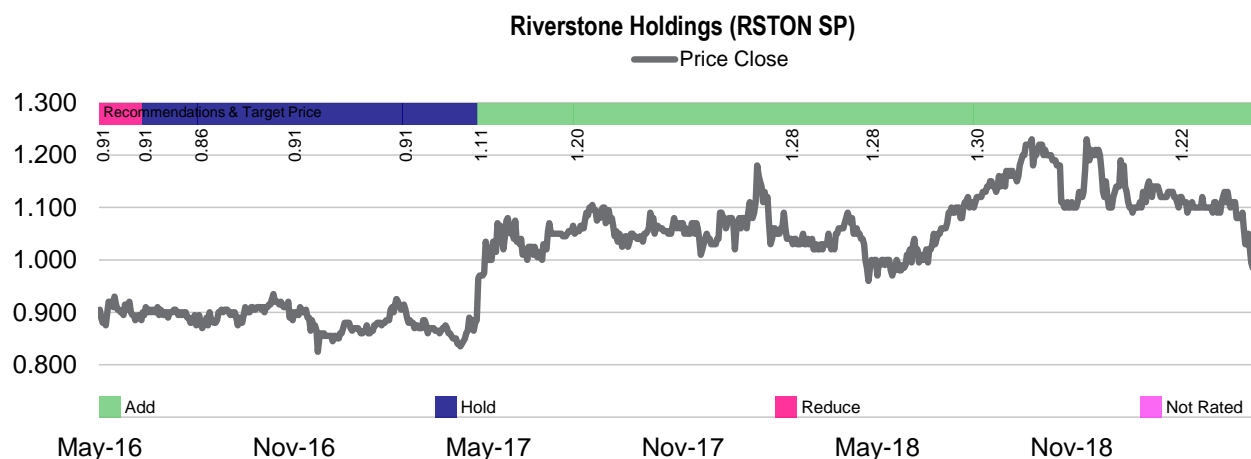
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771 companies under coverage for quarter ended on 08 April 2019		
	Rating Distribution (%)	Investment Banking clients (%)
Add	57.8%	4.0%
Hold	27.0%	2.1%
Reduce	15.2%	0.4%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HREIT** - Excellent, Certified, **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD*** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **SAMART** - Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Very Good, Declared, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WORK** – Good, n/a.

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Recommendation Framework

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
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The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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Definition:

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- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

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