

Singapore

HOLD (no change)

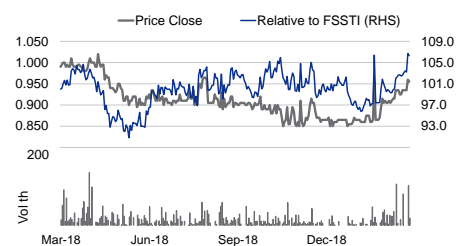
Consensus ratings*: Buy 0 Hold 0 Sell 0

Current price:	S\$0.96
Target price:	S\$0.97
Previous target:	S\$1.00
Up/downside:	1.9%
CGS-CIMB / Consensus:	na
Reuters:	CEII.SI
Bloomberg:	CEI SP
Market cap:	US\$60.92m
	S\$82.80m
Average daily turnover:	US\$0.01m
	S\$0.01m
Current shares o/s:	86.70m
Free float:	56.7%

*Source: Bloomberg

Key changes in this note

- FY19F core EPS reduced by 4.1%.
- FY20F core EPS reduced by 6.8%.
- Introduce FY21F forecasts.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	4.4	10.4	-4.5
Relative (%)	4.9	6.1	3.9

Major shareholders

	% held
Tien Sing Cheong	10.0
Republic Technologies Pte. Ltd.	9.0
TIHT Investment Holdings Pte. Ltd.	9.0

Analyst(s)

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CEI Limited

Hold for dividends

- We provide an update on CEI post our company visit last Thursday (our last update on CEI was on 12 Feb 2018).
- We believe it is well positioned to benefit from the US-China trade tensions as its factories are in Vietnam and Indonesia.
- Maintain Hold but lower TP to S\$0.97, based on 10x (3-year historical average P/E) FY20F core EPS.

Tops off FY18 results with a higher special dividend

CEI reported its FY18 results on 22 Feb 2019. Despite the low yoy sales growth of 2.6% in FY18, CEI did well in cost management which resulted in 7.2% yoy net profit growth (excluding foreign exchange gains/losses). Gross profit margin improved to 23.2% in FY18 from 23.1% in FY17. As at end-Dec 2018, CEI's net gearing was 0.10x. CEI announced a second and final DPS of 0.40 Scts (FY17: 0.40 Scts) and a special DPS of 3.98 Scts (FY17: 3.00 Scts).

Trade war brings more opportunities

Given that CEI has factories in Indonesia and Vietnam, the trade war has resulted in more requests for quotations from companies looking for alternative manufacturers to support their needs. We understand that utilisation rates in Vietnam could be less than 50% while those in Indonesia could be less than 70%, allowing CEI to take on additional orders. However, given that CEI's cost structure is not set up for high volume production, we believe CEI will be selective in adding new customers or taking on new projects.

Outlook is stable

Given that CEI is not exposed to price sensitive consumer discretionary products (such as, mobile phones, laptops, etc.) and has a diverse range of customers, we believe the outlook for FY19 is stable. CEI's order book as at end Dec-18 was S\$63.6m (15% higher than end Dec-17's order book of S\$55.4m) and we expect this order book to generate revenues within FY19.

Will continue to dish out dividends

Given limited capex needs, we believe that CEI will continue with its almost 100% dividend payout trend. On 10x (3-year historical average P/X) FY20F core EPS, our new TP for CEI is S\$0.97 (previously S\$1.00), based on our revised earnings estimates assuming lower sales to be conservative. Key risks are foreign exchange losses and a pull-back in customer orders. Earnings upside could come from new customers/projects due to the trade tensions.

Financial Summary

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue (S\$m)	136.8	140.3	144.5	148.9	153.3
Net Profit (S\$m)	6.51	7.45	7.96	8.43	8.92
Core EPS (S\$)	0.08	0.09	0.09	0.10	0.10
Core EPS Growth	(26.1%)	14.4%	6.9%	6.0%	5.8%
FD Core P/E (x)	12.72	11.12	10.40	9.82	9.28
Price To Sales (x)	0.61	0.59	0.57	0.56	0.54
DPS (S\$)	0.07	0.08	0.09	0.10	0.10
Dividend Yield	7.8%	8.8%	9.6%	10.2%	10.8%
EV/EBITDA (x)	8.14	7.78	5.97	5.63	5.32
P/FCFE (x)	NA	12.32	4.35	10.21	9.55
Net Gearing	(2.7%)	10.5%	(29.4%)	(29.8%)	(30.4%)
P/BV (x)	2.14	2.08	2.10	2.10	2.10
ROE	16.5%	19.0%	20.1%	21.4%	22.6%
% Change In Core EPS Estimates			(4.14%)	(6.76%)	
CIMB/consensus EPS (x)					

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: Earnings revisions

(\$m)	2019F			2020F		
	Old	New	% chg	Old	New	% chg
Revenue	150.8	144.5	(4.1)	158.3	148.9	(6.0)
Gross profit margin	23.4%	23.2%	-0.2%	23.3%	23.3%	no change
EBITDA	14.1	11.7	(16.9)	15.6	12.4	(20.6)
Net profit	8.3	8.0	(4.1)	9.0	8.4	(6.8)
Core EPS (S\$)	0.10	0.09	(4.1)	0.10	0.10	(6.8)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: CEI 12 month forward P/E (x)

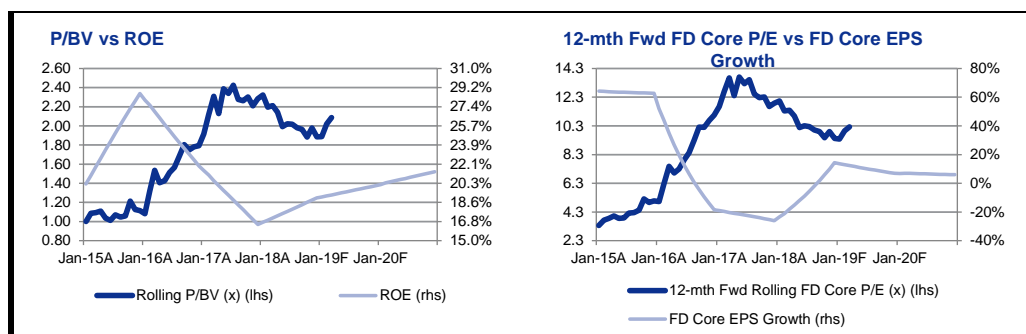

SOURCES: BLOOMBERG, CGS-CIMB, COMPANY REPORTS

Figure 3: Peer comparison

Company	Bloomberg Ticker	Recom.	Price (tcl curr)	Target Price (tcl curr)	Market Cap (US\$ m)	P/E (x)		3-year EPS CAGR (%)	P/BV (x) CY19F	Recurring ROE (%) CY19F	Dividend Yield (%) CY19F
						CY19F	CY20F				
CEI Limited	CEI SP	Hold	0.96	0.97	61	10.4	9.8	5.9%	2.10	20.1%	9.6%
Valuetronics Holdings Ltd	VALUE SP	Hold	0.68	0.73	217	7.9	7.3	na	1.40	18.4%	6.9%
Venture Corporation	VMS SP	Add	18.26	17.88	3,867	13.6	12.8	5.4%	2.07	15.8%	3.8%
US											
Benchmark Electronics	BHE US	NR	26.75	NA	1,088	16.0	14.5	na	na	na	na
Celestica Inc	CLS US	NR	9.00	NA	1,229	9.8	7.5	26.9%	0.86	9.2%	0.0%
Flextronics International	FLEX US	NR	10.14	NA	5,287	8.4	7.2	-29.9%	1.55	19.5%	0.0%
Jabil Circuit	JBL US	NR	27.62	NA	4,273	8.8	7.8	22.6%	2.25	25.8%	1.1%
Plexus Corp	PLXS US	NR	60.72	NA	1,877	15.8	13.9	44.1%	2.02	13.2%	na
Sanmina-SCI Corp	SANM US	NR	30.50	NA	2,087	10.2	9.1	na	na	na	0.0%
Simple Average (US)						11.5	10.0	15.9%	1.67	16.9%	0.3%
Simple Average (all co)						11.2	10.0	12.5%	1.75	17.4%	3.1%

SOURCES: BLOOMBERG, CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(\$m)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Net Revenues	136.8	140.3	144.5	148.9	153.3
Gross Profit	33.6	34.4	35.5	36.6	37.7
Operating EBITDA	9.9	11.0	11.7	12.4	13.1
Depreciation And Amortisation	(2.1)	(1.8)	(1.9)	(2.0)	(2.1)
Operating EBIT	7.8	9.2	9.8	10.4	11.0
Financial Income/(Expense)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)
Pretax Income/(Loss) from Assoc.	0.1	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)	7.9	9.1	9.7	10.3	10.9
Exceptional Items					
Pre-tax Profit	7.9	9.1	9.7	10.3	10.9
Taxation	(1.4)	(1.7)	(1.7)	(1.9)	(2.0)
Exceptional Income - post-tax					
Profit After Tax	6.5	7.4	8.0	8.4	8.9
Minority Interests	0.0	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	6.5	7.4	8.0	8.4	8.9
Recurring Net Profit	6.5	7.4	8.0	8.4	8.9
Fully Diluted Recurring Net Profit	6.5	7.4	8.0	8.4	8.9

Cash Flow

(\$m)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
EBITDA	9.88	11.05	11.74	12.42	13.12
Cash Flow from Inv. & Assoc.	(0.08)	0.00	0.00	0.00	0.00
Change In Working Capital	(7.48)	(8.22)	13.18	(0.86)	(0.88)
(Incr)/Decr in Total Provisions	0.00	0.00	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	0.00	(0.20)	(0.20)	(0.20)	(0.20)
Other Operating Cashflow	0.23	(0.22)	1.00	(0.50)	(0.50)
Net Interest (Paid)/Received	0.00	0.00	0.00	0.00	0.00
Tax Paid	(1.53)	(1.15)	(1.75)	(1.85)	(1.96)
Cashflow From Operations	1.02	1.26	23.97	9.01	9.57
Capex	(1.40)	(0.29)	(1.00)	(1.00)	(1.00)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	0.00	0.00	0.00	0.00	0.00
Other Investing Cashflow	0.15	0.26	0.10	0.10	0.10
Cash Flow From Investing	(1.26)	(0.04)	(0.90)	(0.90)	(0.90)
Debt Raised/(repaid)	(0.50)	5.50	(4.02)	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	(8.01)	(6.45)	(7.30)	(7.96)	(8.43)
Preferred Dividends	0.00	0.00	0.00	0.00	0.00
Other Financing Cashflow	0.00	0.00	0.00	0.00	0.00
Cash Flow From Financing	(8.51)	(0.95)	(11.32)	(7.96)	(8.43)
Total Cash Generated	(8.75)	0.27	11.76	0.15	0.24
Free Cashflow To Equity	(0.74)	6.72	19.06	8.11	8.67
Free Cashflow To Firm	(0.20)	1.33	23.17	8.21	8.77

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(S\$m)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Cash And Equivalents	3.04	3.36	15.10	15.25	15.49
Total Debtors	28.75	27.88	28.51	29.37	30.25
Inventories	25.06	33.79	21.90	22.55	23.23
Total Other Current Assets	0.00	0.00	0.00	0.00	0.00
Total Current Assets	56.86	65.02	65.51	67.17	68.97
Fixed Assets	4.80	3.26	2.32	1.28	0.14
Total Investments	1.34	1.08	1.08	1.08	1.08
Intangible Assets	1.06	1.06	1.10	1.10	1.10
Total Other Non-Current Assets	0.84	0.86	0.70	0.70	0.70
Total Non-current Assets	8.05	6.27	5.20	4.16	3.02
Short-term Debt	2.00	7.52	3.50	3.50	3.50
Current Portion of Long-Term Debt	0.00	0.00	0.00	0.00	0.00
Total Creditors	22.61	21.92	24.28	24.93	25.61
Other Current Liabilities	1.56	2.09	3.50	3.50	3.50
Total Current Liabilities	26.17	31.54	31.28	31.93	32.61
Total Long-term Debt	0.00	0.00	0.00	0.00	0.00
Hybrid Debt - Debt Component	0.00	0.00	0.00	0.00	0.00
Total Other Non-Current Liabilities	0.00	0.00	0.00	0.00	0.00
Total Non-current Liabilities	0.00	0.00	0.00	0.00	0.00
Total Provisions	0.00	0.00	0.00	0.00	0.00
Total Liabilities	26.17	31.54	31.28	31.93	32.61
Shareholders' Equity	38.73	39.75	39.42	39.42	39.42
Minority Interests					
Total Equity	38.73	39.75	39.42	39.42	39.42

Key Ratios

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	4.98%	2.60%	3.00%	3.00%	3.00%
Operating EBITDA Growth	(13.1%)	11.8%	6.3%	5.8%	5.6%
Operating EBITDA Margin	7.22%	7.87%	8.12%	8.34%	8.55%
Net Cash Per Share (S\$)	0.01	(0.05)	0.13	0.14	0.14
BVPS (S\$)	0.45	0.46	0.45	0.45	0.45
Gross Interest Cover	230.1	89.4	101.1	107.0	113.2
Effective Tax Rate	17.3%	18.2%	18.0%	18.0%	18.0%
Net Dividend Payout Ratio	99%	98%	100%	100%	100%
Accounts Receivables Days	74.16	73.66	71.21	71.15	70.95
Inventory Days	80.9	101.3	93.2	72.4	72.3
Accounts Payables Days	74.85	70.05	69.67	72.05	71.88
ROIC (%)	26.4%	25.3%	22.9%	38.8%	41.3%
ROCE (%)	18.8%	20.9%	21.7%	24.2%	25.6%
Return On Average Assets	9.9%	11.1%	11.3%	12.0%	12.6%

Key Drivers

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
ASP Change (% , Main Product)	5.0%	2.6%	3.0%	3.0%	3.0%
Unit sales growth (% , main prod)	N/A	N/A	N/A	N/A	N/A
No. Of Lines (main Product)	14	14	14	14	14
Rev per line (US\$, main prod)	N/A	N/A	N/A	N/A	N/A
ASP chg (% , 2ndary prod)	N/A	N/A	N/A	N/A	N/A
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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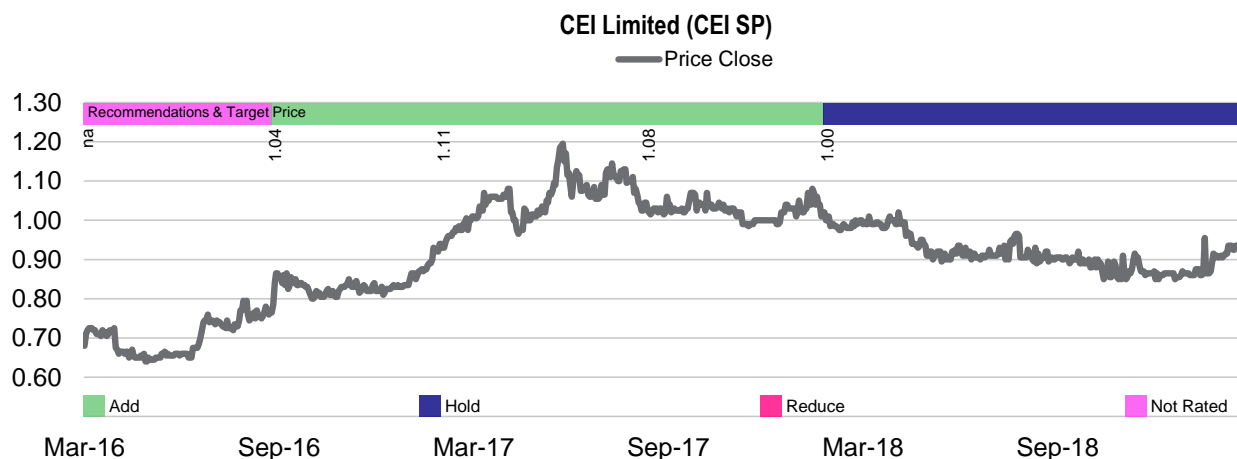
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758 companies under coverage for quarter ended on 31 December 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	61.2%	4.2%
Hold	25.1%	2.1%
Reduce	13.7%	0.4%

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, **CENDEL** – 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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- Companies certified by CAC

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Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

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:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- 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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- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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