

Singapore

ADD (no change)

Consensus ratings*: Buy 1 Hold 0 Sell 0

Current price:	S\$0.199
Target price:	S\$0.27
Previous target:	S\$0.28
Up/downside:	35.7%
CGS-CIMB / Consensus:	na
Reuters:	VICP.SI
Bloomberg:	VPS SP
Market cap:	US\$72.49m
	S\$101.8m
Average daily turnover:	US\$0.01m
	S\$0.01m
Current shares o/s:	510.6m
Free float:	25.9%

*Source: Bloomberg

Key changes in this note

- FY22F EPS cut by 18.6%.
- FY23F EPS cut by 2.8%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-2.9	-2.9	-5.2
Relative (%)	0	4.6	-6

Major shareholders	% held
Venner Capital S.A.	54.9

Analyst(s)



William TNG, CFA
 T (65) 6210 8676
 E william.tng@cgs-cimb.com
Izabella TAN
 T (65) 6210 8897
 E izabella.tan@cgs-cimb.com

Vicplas International Ltd

Minor hiccup from China's lockdown

- We provide an update on Vicplas post-call with the management.
- We think that recent Covid-19-related lockdowns in China could have exacerbated supply chain disruptions and impacted its Changzhou 1 plant.
- We cut our FY22-23F EPS by 2.8-18.6% to reflect production disruptions. Our TP is reduced to S\$0.27. Reiterate Add.

Changzhou extension may be delayed

In a press release published in The Business Times (BT) on 30 May 2022, Vicplas' management expects the 7,000 sqm Changzhou extension (Changzhou 2) to commence operations in Jun 22. However, we think that the opening of Changzhou 2 could be delayed because the Shanghai lockdown likely affected the flow of goods. Vicplas may be facing delays in the delivery of parts/components of its production equipment.

China's lockdown may have extended its backlog

We also think the Covid-19 lockdown in China has resulted in a backlog for medical technology devices for Vicplas. In the same BT article, Vicplas mentioned that 80% of its products manufactured in China pass through the Shanghai port. Although the Shanghai port has since resumed operations, it will take some time to clear the backlog too. Given such a scenario, we believe there will likely be production spillover into FY23F as some orders would not be completed in FY22F.

Managing cost pressure

We understand from management that while its medical devices segment has clawback clauses to address cost increases with its customers, these may be reviewed annually and there will be a lag in passing on higher costs. In the pipe segment, we think that management will moderate the costs passed on given the competitive margins faced by customers in the construction industry and its desire to maintain long-term business relationships with these customers.

Still keen to add a new plant near the US

According to the same BT article, Vicplas is also in advanced stage of talks to build another manufacturing plant near the US, such as in Mexico or Costa Rica. Management guided that it hopes to have such a plant operational in the next two years. This is to provide the group with greater flexibility to sell to the US and Europe markets.

FY22-23F EPS cut by 2.8-18.6%; TP lowered to S\$0.27

We cut our FY22-23F revenue by 1.6-3.8% due to Covid-19 related disruptions/delays affecting Vicplas production. We thus cut FY22-23F EPS forecasts by 2.8-18.6%, which lowers our TP to S\$0.27, still based on 11x CY23F P/E (FY17-22F average forward P/E). We maintain Add given its EPS growth prospects. Re-rating catalysts: faster-than-expected project deliveries, stabilisation of raw material costs. Downside risks: more lockdowns in China affecting production, sharp cost increases impacting profits.

Financial Summary	Jul-20A	Jul-21A	Jul-22F	Jul-23F	Jul-24F
Revenue (S\$m)	88.8	113.9	120.2	135.2	151.0
Net Profit (S\$m)	4.81	10.40	9.00	11.86	13.57
Core EPS (S\$)	0.009	0.020	0.018	0.023	0.027
Core EPS Growth	15%	115%	(13%)	32%	14%
FD Core P/E (x)	20.95	9.73	11.29	8.57	7.49
Price To Sales (x)	1.14	0.89	0.85	0.75	0.67
DPS (S\$)	0.004	0.005	0.004	0.006	0.007
Dividend Yield	1.88%	2.26%	2.21%	2.92%	3.34%
EV/EBITDA (x)	7.87	5.54	5.27	4.15	3.52
P/FCFE (x)	17.64	5.75	9.03	7.75	6.96
Net Gearing	6.7%	5.3%	(1.6%)	(6.0%)	(10.4%)
P/BV (x)	1.64	1.42	1.30	1.16	1.04
ROE	7.9%	15.6%	12.0%	14.3%	14.7%
% Change In Core EPS Estimates			(18.6%)	(2.8%)	0.0%
CGS-CIMB/Consensus EPS (x)			0.80	0.97	0.98

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Minor hiccup from China's lockdown

Figure 1: We cut our FY22-23F EPS by 2.8-18.6%

FYE Jul 31 (\$m)	New			Old			% change		
	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F
Revenue	120.2	135.2	151.0	125.0	137.3	151.0	-3.8%	-1.6%	0.0%
Gross profit	65.0	72.3	80.0	67.6	73.5	80.0	-3.8%	-1.6%	0.0%
GPM (%)	54.1%	53.5%	53.0%	54.1%	53.5%	53.0%	0.0%	0.0%	0.0%
EBIT	11.8	15.4	17.5	14.4	15.8	17.5	-17.8%	-2.7%	0.0%
Reported PATMI	9.0	11.9	13.6	11.1	12.2	13.6	-18.6%	-2.8%	0.0%
Core PATMI	9.0	11.9	13.6	11.1	12.2	13.6	-18.6%	-2.8%	0.0%
NPM (%)	7.5%	8.8%	9.0%	8.8%	8.9%	9.0%	-15.4%	-1.3%	0.0%
EPS (Scts)	1.76	2.32	2.66	2.17	2.39	2.66	-18.6%	-2.8%	0.0%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 2: 12-mth forward P/E (x)

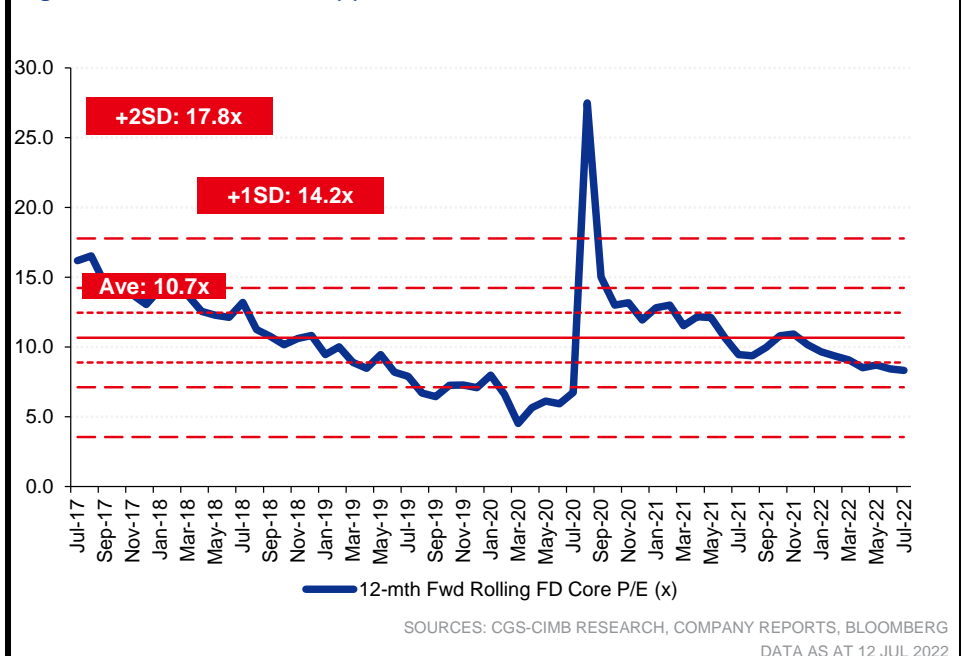


Figure 3: Peer comparison

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 (%)	Dividend Yield (%)
						CY22F	CY23F		CY22F	CY23F		
Vicplas International Ltd	VPS SP	Add	0.20	0.27	72	10.0	8.1	na	1.24	1.11	13.2%	2.5%
AEM Holdings Ltd	AEM SP	Add	4.06	6.85	893	10.6	9.3	11.9%	2.56	2.12	26.9%	2.4%
Aztech Global Ltd	AZTECH SP	Add	0.82	1.59	451	7.0	6.2	10.7%	1.87	1.63	28.7%	7.1%
Frencken Group Ltd	FRKN SP	Add	1.11	1.72	337	8.4	7.2	6.3%	1.13	1.02	14.4%	3.5%
Grand Venture Technology Ltd	GVTL SP	Add	0.71	1.29	170	10.6	7.2	22.4%	1.95	1.60	20.0%	1.9%
ISDN Holdings Ltd	ISDN SP	Add	0.47	0.70	145	7.7	6.7	7.7%	0.94	0.85	12.9%	3.2%
Nanofilm Technologies Int'l Ltd	NANO SP	Add	2.26	3.07	1,058	21.1	17.3	14.7%	3.09	2.73	15.7%	1.2%
UMS Holdings Ltd	UMSH SP	Add	1.12	1.63	532	10.3	10.0	13.3%	2.37	2.09	24.9%	4.5%
Venture Corporation	VMS SP	Add	16.83	23.32	3,486	13.6	12.6	9.0%	1.71	1.61	12.9%	4.5%
Simple average excluding Vicplas						11.2	9.5	12.0%	1.95	1.71	19.6%	3.5%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG
DATA AS AT 12 JUL 2022



ESG in a nutshell

Vicplas has been tracking the progress of its ESG performance; FY21 marked the fourth year of its ESG performance reporting. Vicplas issues a sustainability report yearly according to the Singapore Exchange's Sustainability Reporting. It also references the United Nations' 2030 Agenda for Sustainable Development and uses United Nations Sustainable Development Goals. Vicplas aims to have its sustainability report externally assessed in the future.

Keep your eye on

Its commitment to the safety of its medical products.

Implications

Vicplas is committed to providing medical-use products with the highest level of quality and product safety. In FY21, Vicplas did not have any incidents of product recall or incidents of non-compliance with regulations and voluntary codes concerning the health and safety impact of its products and services. Given its track record, no valuation discount has been imputed for this.

ESG highlights

Corruption is a risk to watch out for as it can undermine legitimate business activities, distort competition, and damage the company's reputation.

Implications

As a listed company on the Singapore Exchange (SGX), Vicplas adopts the Code of Corporate Governance as required in the Listing Rules. This framework covers ethics and compliance through a Code of Conduct as well as action guidelines which Vicplas expects its employees to adhere to. Vicplas has a dedicated officer who maintains a register of incidences regarding ethics and compliance issues and escalates these incidences to the Board, Audit and Risk Committee and/or management, as appropriate. In FY21, there were no cases of corruption, no employees were dismissed or disciplined for corruption, and no contracts with business partners were terminated due to violations related to corruption.

Trends

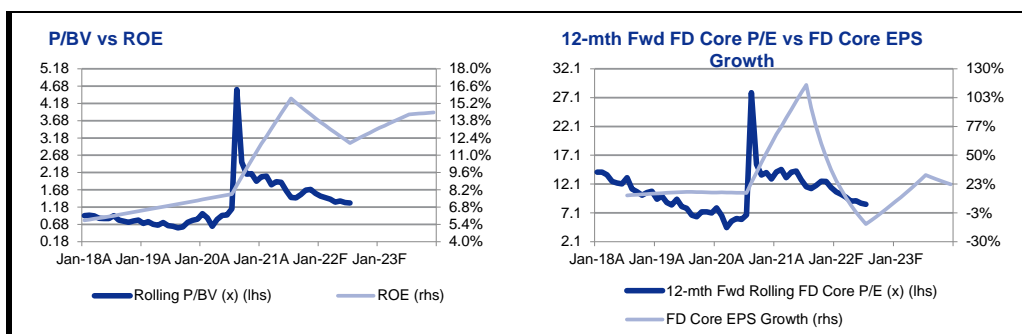
Carbon footprint has been reduced.

Implications

According to its FY21 Sustainability Report, the greenhouse gas emission intensity for Vicplas's pipe and pipe fitting segment declined 5.2% yoy while the greenhouse gas emission intensity for its medical segment fell 19.1% yoy.

SOURCES: CGS-CIMB RESEARCH, REFINITIV

BY THE NUMBERS



Profit & Loss

(\$m)	Jul-20A	Jul-21A	Jul-22F	Jul-23F	Jul-24F
Total Net Revenues	94.08	121.11	127.13	142.19	157.75
Gross Profit	54.03	68.73	71.94	79.34	86.76
Operating EBITDA	13.35	19.03	19.05	23.20	25.97
Depreciation And Amortisation	(5.57)	(6.20)	(7.22)	(7.80)	(8.43)
Operating EBIT	7.78	12.83	11.83	15.40	17.55
Financial Income/(Expense)	(0.61)	(0.53)	(0.58)	(0.58)	(0.58)
Pretax Income/(Loss) from Assoc.	0.00	0.00	0.00	0.00	0.00
Non-Operating Income/(Expense)	0.00	0.00	0.00	0.00	0.00
Profit Before Tax (pre-EI)	7.17	12.30	11.25	14.82	16.97
Exceptional Items					
Pre-tax Profit	7.17	12.30	11.25	14.82	16.97
Taxation	(2.27)	(1.90)	(2.25)	(2.96)	(3.39)
Exceptional Income - post-tax					
Profit After Tax	4.90	10.40	9.00	11.86	13.57
Minority Interests	(0.09)	0.00	0.00	0.00	0.00
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	4.81	10.40	9.00	11.86	13.57
Recurring Net Profit	4.81	10.40	9.00	11.86	13.57
Fully Diluted Recurring Net Profit	4.81	10.40	9.00	11.86	13.57

Cash Flow

(\$m)	Jul-20A	Jul-21A	Jul-22F	Jul-23F	Jul-24F
EBITDA	13.35	19.03	19.05	23.20	25.97
Cash Flow from Invt. & Assoc.					
Change In Working Capital					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(0.61)	(0.53)	(0.58)	(0.58)	(0.58)
Tax Paid	(0.24)	(0.74)	(1.90)	(2.25)	(2.96)
Cashflow From Operations	12.49	17.77	16.57	20.37	22.43
Capex	(6.29)	(5.15)	(6.71)	(7.25)	(7.84)
Disposals Of FAs/subsidiaries	0.00	0.00	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	(0.04)	0.00	0.00	0.00	0.00
Other Investing Cashflow	(0.21)	(0.02)	0.00	0.00	0.00
Cash Flow From Investing	(6.54)	(5.16)	(6.71)	(7.25)	(7.84)
Debt Raised/(repaid)	(0.25)	5.00	1.41	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	(3.80)	(1.91)	(2.25)	(2.96)	(3.39)
Preferred Dividends					
Other Financing Cashflow	(1.33)	(0.89)	0.00	0.00	0.00
Cash Flow From Financing	(5.38)	2.19	(0.85)	(2.96)	(3.39)
Total Cash Generated	0.58	14.80	9.01	10.15	11.20
Free Cashflow To Equity	5.71	17.60	11.26	13.11	14.59
Free Cashflow To Firm	6.57	13.13	10.43	13.69	15.17

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(S\$m)	Jul-20A	Jul-21A	Jul-22F	Jul-23F	Jul-24F
Total Cash And Equivalents	4.48	9.87	16.32	20.31	25.20
Total Debtors	24.82	31.37	34.57	39.57	44.64
Inventories	14.61	16.69	16.63	18.94	21.40
Total Other Current Assets	5.56	9.46	9.46	9.46	9.46
Total Current Assets	49.47	67.40	76.99	88.28	100.69
Fixed Assets	37.49	40.65	40.14	39.60	39.01
Total Investments	1.80	1.80	1.80	1.80	1.80
Intangible Assets	1.29	1.24	1.24	1.24	1.24
Total Other Non-Current Assets	1.10	0.58	0.58	0.58	0.58
Total Non-current Assets	41.67	44.26	43.76	43.21	42.62
Short-term Debt	8.63	5.04	5.04	5.04	5.04
Current Portion of Long-Term Debt					
Total Creditors	5.05	8.64	9.22	10.37	11.58
Other Current Liabilities	9.49	9.97	10.32	11.04	11.47
Total Current Liabilities	23.18	23.65	24.58	26.44	28.08
Total Long-term Debt	0.00	8.60	10.00	10.00	10.00
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	4.33	5.32	5.32	5.32	5.32
Total Non-current Liabilities	4.33	13.91	15.32	15.32	15.32
Total Provisions	1.90	2.45	2.45	2.45	2.45
Total Liabilities	29.41	40.01	42.35	44.21	45.85
Shareholders' Equity	61.72	71.64	78.39	87.29	97.47
Minority Interests	0.00	0.00	0.00	0.00	0.00
Total Equity	61.72	71.64	78.39	87.29	97.47

Key Ratios

	Jul-20A	Jul-21A	Jul-22F	Jul-23F	Jul-24F
Revenue Growth	10.8%	28.2%	5.5%	12.4%	11.7%
Operating EBITDA Growth	61.6%	42.6%	0.1%	21.8%	12.0%
Operating EBITDA Margin	15.0%	16.7%	15.8%	17.2%	17.2%
Net Cash Per Share (S\$)	(0.008)	(0.007)	0.003	0.010	0.020
BVPS (S\$)	0.12	0.14	0.15	0.17	0.19
Gross Interest Cover	12.73	24.39	20.39	26.54	30.24
Effective Tax Rate	31.7%	15.5%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	79.1%	18.4%	25.0%	25.0%	25.0%
Accounts Receivables Days	94.55	79.35	90.14	91.25	94.13
Inventory Days	111.6	109.1	110.2	103.3	104.0
Accounts Payables Days	42.60	47.70	59.06	56.89	56.58
ROIC (%)	15.8%	21.1%	17.4%	22.2%	23.9%
ROCE (%)	10.9%	16.0%	12.9%	15.4%	16.0%
Return On Average Assets	6.6%	10.9%	8.3%	10.0%	10.4%

Key Drivers

	Jul-20A	Jul-21A	Jul-22F	Jul-23F	Jul-24F
Revenue growth (%)	N/A	N/A	28.2%	5.5%	12.4%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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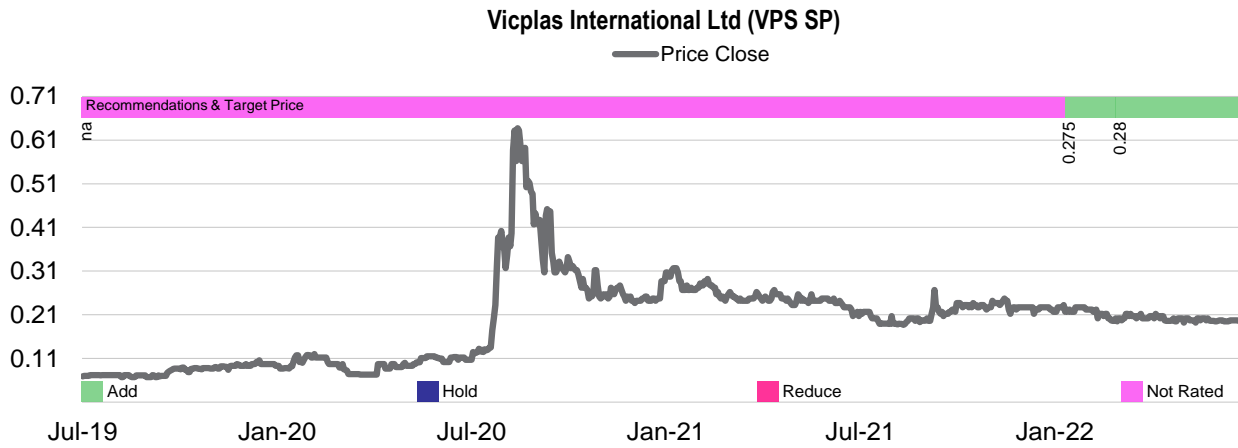
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2022		
643 companies under coverage for quarter ended on 30 June 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	68.4%	0.8%
Hold	24.6%	0.0%
Reduce	7.0%	0.2%

Spitzer Chart for stock being researched (2 year data)



Recommendation Framework

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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.

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