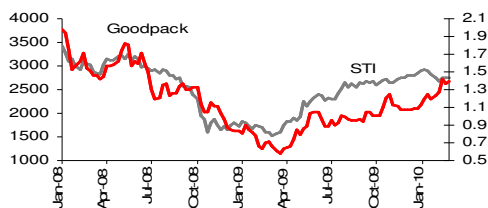


18 May 2010

Maintain

BUY

Previous Rating: BUY

Current Price: S\$1.54
Fair Value: S\$1.77


Goodpack Ltd

Ample room for growth; maintain BUY

Strong set of results as expected. Goodpack Limited reported 3QFY10 revenue of US\$30.6m (+26.9% YoY, -5.5% QoQ) and PATMI of US\$9.0m (+39.6% YoY, -7.5% QoQ) last Friday. Both topline and bottomline were largely in line with the market's expectations and ours. Management attributed the strong YoY growth to continued demand recovery from existing business verticals. While the results were lower QoQ, we note that they were mainly due to seasonal factors and, to a smaller extent, higher depreciation expenses. For 9MFY10, revenue clocked US\$88.8m (+12.8%), meeting 74.8% of our full-year sales forecast (72.4% of consensus), while PATMI hit US\$26.1m (+19.8%), or 75.0% of our earnings estimate (76.4% of consensus).

Positive signs for further growth. All product verticals posted robust double-digit growth as compared to 3QFY09, with synthetic rubber registering the highest percentage increase, followed by juices and then natural rubber (slower growth due partially to higher base). Management believes the recovery was fueled by genuine demand, and not short-term restocking activities. The group also updated that it is making significant headways in its efforts to penetrate into new product verticals. The automotive parts segment, for example, is currently conducting trials with several first-tier suppliers of major car manufacturers, thanks to a dedicated team set up by the group. Should these trials turn into actual transportation channel for the automotive parts, we see immense growth potential for the group, given the huge total available market in the automotive industry.

Maintain cautiously optimistic view. Nevertheless, management prefers to keep a cautiously optimistic stance on the outlook, noting that the economic environment in which the group is operating in remains challenging. Some of the challenges likely faced by Goodpack, we note, include uneven demand, volatility in forex and interest rates and fluctuation in operating and energy costs. However, Goodpack adds that it is well-positioned to ride on the recovery. To relieve any stress on its balance sheet (and capex requirements), management is also adopting a third-year leasing scheme with its Chinese partner for its Intermediate Bulk Containers (IBCs).

Maintain BUY. We are holding our FY10-11 forecasts intact as the results were in line with our expectations. However, as we roll our valuations into FY11, our DCF-based fair value is now raised to S\$1.77 from S\$1.51 previously. We continue to like Goodpack for its growth potential and its market leadership, and we see room for improving margins via its trade-lane optimization initiatives. Maintain **BUY**.

| | |
|-------------------------------------|---------------|
| Reuters Code | GPAK.SI |
| ISIN Code | G05 |
| Bloomberg Code | GPACK SP |
| Issued Capital (m) | 471 |
| Mkt Cap (S\$/US\$m) | 725 / 522 |
| Major Shareholders | |
| Goodpack Holdings | 30.21%, |
| Capital Group | 7.06%, |
| Ngit Liong Wong | 6.91%, |
| Fidelity Management | 6.05%, |
| Capital World Invest American Funds | 5.60%, |
| Mason Hill Advisors | 5.51% |
| Free Float (%) | 59.6% |
| Daily Vol 3-mth ('000) | 2,041 |
| 52 Wk Range | 0.857 - 1.820 |

| (US\$ m) | FY08 | FY09 | FY10F | FY11F |
|-----------|------|-------|-------|-------|
| Revenue | 99.6 | 102.4 | 118.6 | 125.1 |
| EBIT | 35.4 | 33.1 | 41.9 | 44.5 |
| P/NTA (x) | 3.1 | 2.9 | 2.4 | 2.1 |
| EPS (cts) | 6.3 | 5.6 | 7.4 | 7.9 |
| PER (x) | 16.4 | 18.7 | 14.2 | 13.1 |

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Goodpack's Key Financial Data

| Goodpack Results Year Ended 30 Jun (US\$ m) | 3Q09 (US\$ m) | 3Q10 (US\$ m) | % Chg (YoY) | 2Q10 (US\$ m) | % Chg (QoQ) |
|---|-------------------------|-------------------------|-----------------------|-------------------------|-----------------------|
| Revenue | 24.1 | 30.6 | 26.9% | 32.3 | -5.5% |
| Other operating income | -0.4 | -0.2 | -49.1% | 0.4 | nm |
| Logistic and handling costs | -7.3 | -11.0 | 49.8% | -11.2 | -1.5% |
| Raw materials and consumables used | -0.6 | -0.6 | 3.8% | -0.4 | 58.7% |
| Employee benefits expense | -2.0 | -2.6 | 29.6% | -2.4 | 9.8% |
| Depreciation and amortization expense | -4.3 | -4.3 | -0.2% | -3.8 | 11.9% |
| Other operating expenses | -1.7 | -1.1 | -34.6% | -2.6 | -58.2% |
| Profit from operations | 7.8 | 10.7 | 38.3% | 12.4 | -13.1% |
| Finance costs | -0.7 | -0.4 | -44.9% | -1.0 | -60.0% |
| Share of results of associates | 0.0 | 0.0 | nm | 0.0 | nm |
| Profit before tax | 7.0 | 10.3 | 47.0% | 11.3 | -8.8% |
| Income tax expense | -0.4 | -1.0 | 164.9% | -1.3 | -23.8% |
| Minority interests | -0.2 | -0.3 | 59.9% | -0.2 | 20.1% |
| Net Profit | 6.5 | 9.0 | 39.6% | 9.7 | -7.5% |

Goodpack's Key Financial Data

| EARNINGS FORECAST | | | | | BALANCE SHEET | | | | |
|-----------------------------|-------|-------|-------|-------|------------------------------------|-------|-------|-------|-------|
| Year Ended 30 Jun (US\$m) | FY08 | FY09 | FY10F | FY11F | As at 30 Jun (US\$m) | FY08 | FY09 | FY10F | FY11F |
| Revenue | 99.6 | 102.4 | 118.6 | 125.1 | Bank and cash balances | 14.5 | 28.5 | 41.9 | 69.8 |
| EBITDA | 46.6 | 47.8 | 58.7 | 62.9 | Other current assets | 53.3 | 51.9 | 58.1 | 60.8 |
| Depreciation & amortization | -11.3 | -14.7 | -16.9 | -18.4 | Property, plant, and equipment | 200.7 | 243.5 | 256.9 | 253.8 |
| EBIT | 35.4 | 33.1 | 41.9 | 44.5 | Total assets | 275.6 | 332.3 | 365.0 | 392.2 |
| Finance costs | -2.9 | -3.6 | -3.0 | -3.2 | Debt | 86.1 | 126.4 | 119.1 | 119.1 |
| Associates and JVs | 0.0 | 0.0 | 0.0 | 0.0 | Current liabilities excluding debt | 17.5 | 21.0 | 21.4 | 21.9 |
| Profit before tax | 32.5 | 29.4 | 38.9 | 41.3 | Total liabilities | 111.1 | 155.6 | 148.7 | 149.2 |
| Income tax expense | -2.3 | -2.8 | -3.8 | -3.5 | Shareholders equity | 162.4 | 174.4 | 213.4 | 239.4 |
| Minority interests | -0.6 | -0.8 | -0.7 | -0.7 | Minority interests | 2.1 | 2.2 | 2.9 | 3.6 |
| PATMI | 29.5 | 25.9 | 34.3 | 37.1 | Total equity and liabilities | 275.6 | 332.3 | 365.0 | 392.2 |

CASH FLOW

| Year Ended 30 Jun (US\$m) | FY08 | FY09 | FY10F | FY11F | KEY RATES & RATIOS | FY08 | FY09 | FY10F | FY11F |
|------------------------------------|-------|-------|-------|-------|-------------------------------|-------|-------|-------|-------|
| Op profit before working cap. chg. | 45.9 | 47.2 | 58.9 | 62.4 | EPS (US cents) | 6.3 | 5.6 | 7.4 | 7.9 |
| Working cap, taxes and int | -17.8 | -4.4 | -12.8 | -8.4 | NTA per share (US cents) | 34.1 | 35.6 | 44.0 | 49.6 |
| Net cash from operations | 28.2 | 42.9 | 46.1 | 54.0 | EBIT margin (%) | 35.5% | 32.3% | 35.3% | 35.6% |
| Purchase of PP&E | -80.2 | -58.2 | -30.0 | -15.0 | Net profit margin (%) | 29.6% | 25.3% | 28.9% | 29.6% |
| Other investing flows | -1.7 | -1.2 | 0.0 | 0.0 | PER (x) | 16.4 | 18.7 | 14.2 | 13.1 |
| Investing cash flow | -81.9 | -59.4 | -30.0 | -15.0 | Price/NTA (x) | 3.1 | 2.9 | 2.4 | 2.1 |
| Financing cash flow | 59.2 | 31.7 | -2.7 | -11.0 | EV/EBITDA (x) | 12.1 | 12.3 | 9.7 | 8.6 |
| Net cash flow | 5.4 | 15.1 | 13.4 | 28.0 | Dividend yield (%) | 2.0% | 1.9% | 2.3% | 2.6% |
| Cash at beginning of year | 9.3 | 14.5 | 28.5 | 41.9 | ROE (%) | 20.0% | 15.6% | 17.8% | 16.4% |
| Cash at end of year | 14.5 | 28.5 | 41.9 | 69.8 | Net gearing (%) | 44.1% | 56.1% | 36.2% | 20.6% |

Source: Company data, OIR estimates

SHAREHOLDING DECLARATION:

The analyst/analysts who wrote this report holds NIL shares in the above security.

RATINGS AND RECOMMENDATIONS:

OCBC Investment Research's (OIR) technical comments and recommendations are short-term and trading oriented.

- However, OIR's fundamental views and ratings (Buy, Hold, Sell) are medium-term calls within a 12-month investment horizon. OIR's Buy = More than 10% upside from the current price; Hold = Trade within +/- 10% from the current price; Sell = More than 10% downside from the current price.

- For companies with less than S\$150m market capitalization, OIR's Buy = More than 30% upside from the current price; Hold = Trade within +/- 30% from the current price; Sell = More than 30% downside from the current price.

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For OCBC Investment Research Pte Ltd



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Head of Research

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