



# Enviro-Hub Holdings Ltd

(ENVH SP/L23.SI)

## Turning trash into treasure

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1. Enviro-Hub Holdings Ltd boasts a diverse portfolio of operations and investments. The company engages in e-waste and metal trading, refining, and recycling; carries out piling contracts and construction services; provides rental and servicing of machinery; manages property investments and operations; and manufactures and trades healthcare products.
2. We initiate with an OUTPERFORM recommendation and TP of S\$0.045, based on FY23F total market value. We expect FY23-25F PAT to grow at a CAGR of 11.2% on an increase in processing volume of e-waste recycling segment, gradual recovery of glove industry, and an increase in contributions from new pharmaceutical retail outlets.

Financials & Key Operating Statistics					
YE Dec (\$\$ m)	2021	2022	2023F	2024F	2025F
Revenue	40,423	44,109	50,182	53,394	58,323
PATMI	5,589	6,175	6,376	7,319	8,778
EPS (cents)	0.36	0.40	0.41	0.48	0.57
EPS growth (%)	(847.5)	10.2	3.3	14.8	19.9
DPS (Sing cents)	-	0.1	0.1	0.1	0.2
Div Yield (Y%)	0.0%	2.9%	3.7%	4.2%	5.0%
Net Profit Margin (%)	13.8%	14.0%	12.7%	13.7%	15.1%
Net Gearing (%)	49.5%	52.3%	31.6%	15.5%	1.2%
Price P/B (x)	0.65	0.62	0.58	0.53	0.49
ROE (%)	7.0%	7.3%	7.1%	7.5%	8.2%

Source: Company data, KGI Research

**Company background.** Enviro-hub used to focus more on their building and construction and property investments and management sectors, however, after the acquisition of Malaysian glove manufacturer, Pastel Glove Sdn Bhd, and expansion into the pharmaceutical retail scene in Malaysia, under the brand 'R-Pharmacy', they have shifted their focus towards the development of their e-waste recycling and healthcare segments. The group views these areas as offering strong long-term growth prospects and has plans to continue expanding in the healthcare sector.

**FY22 financials review:** Revenue rose 9.2% on higher contributions from e-waste recycling and healthcare

Outperform - Initiation		
Price as of 29 Mar 23 (SGD)	0.037	<b>Performance (Absolute)</b>
12M TP (\$)	0.045	
Previous TP (\$)	-	
Upside, incl div (%)	141.8	
<b>Trading data</b>		<b>Perf. vs STI Index (Red)</b>
Mkt Cap (\$mn)	46	
Issued Shares (mn)	1,244	
Vol - 3M Daily avg (mn)	1.2	
Val - 3M Daily avg (\$mn)	0.1	
Free Float (%)	N/A	
<b>Major Shareholders</b>		<b>Previous Recommendations</b>
Ng Ah Hua	34.7%	
Raymond Ng	34.7%	
Law Siau Woei	19.3%	

businesses. With Enviro-Hub now generating a positive operating cash flow. Proposed dividend of SG 0.1 cent per share.

**1H22 financial update: Growth of new segmental revenue.** Enviro-Hub reported revenue of S\$22.8mn for the period, representing a 29.0% YoY increase, and a 43.2% YoY rise in net profit attributed to owners. The revenue growth was driven primarily by a 14.6% YoY increase in sales from the recycling business. During 1H22, the newly acquired healthcare segment remained a consistent contributor to overall revenue, with sales of S\$3.3mn.

**New Pharmaceutical Retail Outlets.** Enviro-Hub established a 40% jointly owned company, R Pharmacy, through its subsidiary Pastel Care Sdn. Bhd. On April 19<sup>th</sup>, 2022, the first R-Pharmacy retail outlet was opened with the goal of making healthcare products more accessible and providing personalized services through in-house pharmacists. With 10 stores currently operating across Malaysia, the company plans to expand its presence by opening larger stores and providing more options for customers. In addition to in-store services, R-Pharmacy has also implemented virtual consultation services with real-time access to

doctors and made its products available through various e-commerce platforms for convenient purchasing.

**Venturing into glove manufacturing.** The global glove manufacturing industry is currently experiencing a supply-demand imbalance, with an oversupply of gloves. However, Enviro-Hub is mitigating this by temporarily operating at a reduced capacity. With demand expected to recover within the next six months, the company is poised to quickly ramp up production and meet the rising demand for gloves. Despite muted plant utilisation rates, the downside for Enviro-Hub is minimised by the undertaking provided by PGSB ex-founder Law Siau Woei. He is liable to make payment to PGSB in the event that the segment is loss-making from 1 Jan 2022-31 Dec 2024.

**Expansion of e-waste recycling.** Enviro-Hub recently expanded its e-waste recycling capacity, enabling it to process more waste in a shorter amount of time. With this increase, the company is now able to take on more recycling projects and is expected to see a growth in segmental revenue. The plant is expected to open in 2H23 with a 41.7% increase in processing capacity to 5,100 tonnes per year. It is well positioned to benefit from an increase in processing volume amidst rising demand from MNCs and higher contract values.

**Valuation & Action:** We initiate Enviro-hub with an **Outperform** recommendation and a S\$0.045 Target Price based on the SOTP valuation of its 3 segments namely, Recycling, Property and Healthcare.

**Risks:** Margin pressure due to competition and oversupply in the glove industry. Rising interest rates and fluctuations in exchange rates will impact Enviro-hubs reported revenue and profits.

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## Business at a glance

Enviro-Hub Holdings Limited (EHH) is an investment holding company whose subsidiaries operate geotechnic and piling works and develop properties. The Company also sells, services and rents engineering hardware, construction machinery and equipment, and recycles metals and plastics. On 27 October 2021, the group fully acquired the remaining 75% of shares in Pastel Glove Sdn. Bhd. (PGSB). Through the Group's wholly-owned subsidiary, PGSB incorporated a company, Pastel Care Sdn. Bhd. (PCSB), with a 40% equity interest.

The Group has 4 main business segments namely:

1. Trading, recycling and refining of e-waste/metals
2. Investment properties
3. Piling contract, construction, rental and servicing of machinery
4. Healthcare products

Figure 1: Enviro-Hub’s business segments



Source: Enviro-Hub’s 2021 Annual Report

EHH has identified the healthcare industry as a growth opportunity and has expanded its operations to encompass the healthcare supply chain. Along with manufacturing gloves through its subsidiary Pastel Glove Sdn Bhd, the company has entered the pharmaceutical retail outlet business in Malaysia and plans to focus on these e-waste recycling and healthcare segments moving forward. Regarding its construction segment, the group will continue to carefully monitor costs and has no new contracts or projects planned and is working towards winding down this business segment and disposal of its assets. It is also actively seeking a suitable time to divest assets held for sale from its investment properties segment.

### Industry

The focus will be on Enviro-Hub’s e-waste recycling sector as it generates the majority of its revenue.

As people become more environmentally conscious, there is a growing trend towards eco-friendliness and an increase in electronic waste. Companies are taking responsibility for their products and recycling them, giving manufacturers a sense of responsibility, and creating business opportunities for recycling companies that both manufacturers and consumers pay to dispose of and repurpose electronic waste.

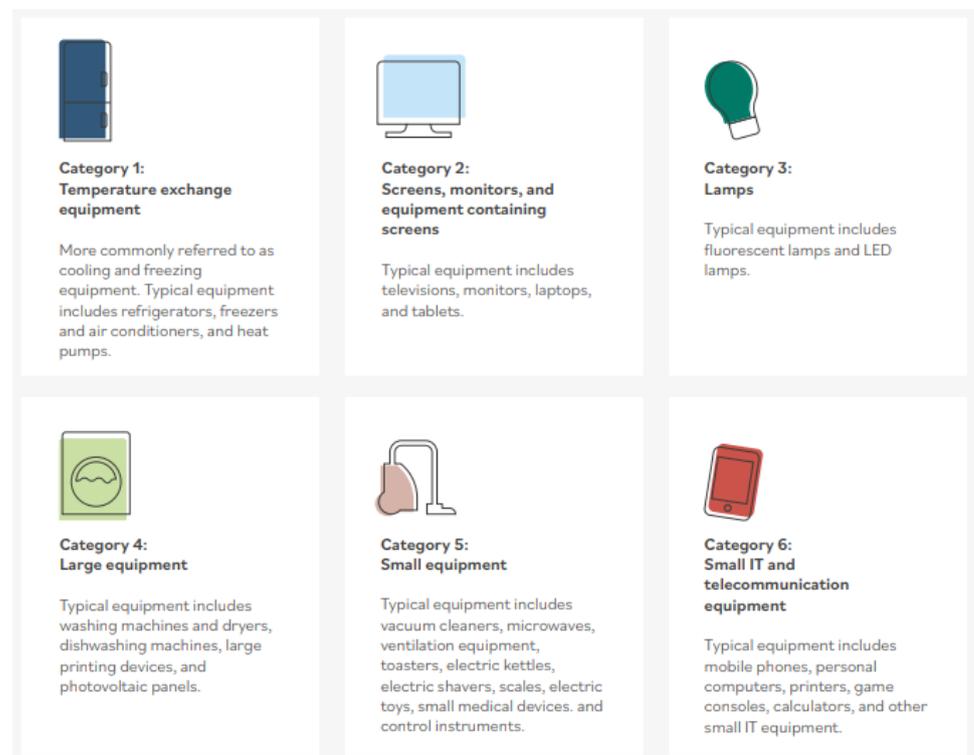
The global production of electronic waste (e-waste) is increasing at an alarming rate and is expected to reach 74 million metric tonnes by 2030. E-waste is defined as discarded electronic devices, and it is a rapidly growing waste stream worldwide. Improper disposal of e-waste can lead to negative environmental and health impacts, such as the release of toxic substances. Developed countries generate majority of the e-waste, but developing countries are also contributing to the growth.

Most e-waste is made up of small equipment such as smartphones and laptops, however, large equipment such as refrigerators and washing machines also contribute to e-waste production. According to a United Nations report, global e-waste production reached 53.6 million tonnes in 2019, which is 21% higher than in 2014 and is expected to increase by 21%

in the next five years. The highest e-waste-producing countries are China, the United States, and Japan. The report highlighted that only 17.4% of e-waste is formally recycled, and 80% of e-waste is dumped in landfill, open burning, or being informally recycled.

Many developing countries lack the infrastructure and regulations to properly manage e-waste, leading to illegal exporting of e-waste to these countries and informal sector recycling practices that are harmful to both the environment and human health. Solutions to the e-waste problem include extending producer responsibility, promoting sustainable consumption and production (increasing the use of recycled materials in the production of new devices and promoting repair and refurbishment of electronic devices), and strengthening global cooperation on e-waste management.

Figure 2: Electrical and electronic equipment (EEE) categories for comparison and international benchmarking of the e-waste management performance



Source: UNITAR – Global Transboundary E-waste Flows Monitor – 2022

**Just over 17% of the world’s e-waste is properly recycled – but the United Nations International Telecommunication Union has set a target to raise that to 30% by 2023.**

**Singapore too is playing a part in the recycling of E-waste.**

Singapore generates about 60,000 tonnes of e-waste annually, only about 20% of it is recycled. On 1 July 2021, the government implemented a new e-waste management system to increase the recycling of electronic waste. The system will require manufacturers and importers of electronic products to register with the National Environment Agency (NEA) and join an e-waste recycling scheme. Under

the system, manufacturers and importers will be responsible for the collection, transportation, and proper disposal of their products at end-of-life and will be financially liable for it. Also, the government is providing financial incentives to consumers through a rebate scheme for the disposal fee. The NEA is working with retailers and e-waste collectors, such as ALBA, to make it convenient for citizens to recycle their e-waste, raising awareness through public education campaigns and hopes to increase e-waste recycling rate to 30% by 2020 and to 60% by 2030.

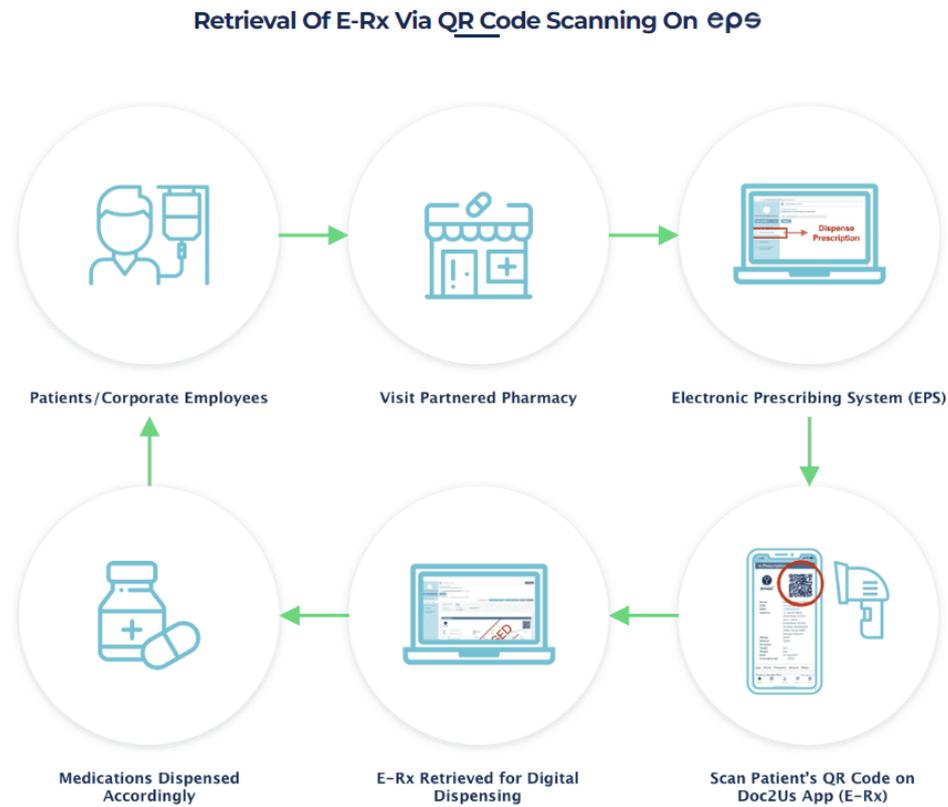
#### Investment thesis

**Birth of new pharmaceutical chain.** Enviro-Hub has launched a new brand called 'R-Pharmacy' as part of its healthcare products segment. The first store opened in April 2022 in Klang Valley, Malaysia and aims to provide customers with a personalized experience through recommendations from in-house pharmacists. As of February, the group has opened 10 stores across Malaysia, with plans to open 40 total stores by 2024. These stores in the timeline are going to range above 1,400 sqft per store, allowing these pharmacies to carry more products to cater to larger audiences.

The stores are located in primary areas without other pharmacies nearby and are funded internally. R-Pharmacy offers a wide range of products, with an ever-growing inventory of over 10,000 items, including prescription medication and common ailment products. To reach a wider audience, appealing to millennials, R-Pharmacy also lists its products on online platforms such as Lazada and Shopee for convenient ordering from a trusted retailer.

R-Pharmacy has partnered with Doc2us to bring telemedicine kiosks to its pharmacy outlets, allowing patients to have virtual consultations with doctors and receive electronic prescriptions. In addition to the virtual consultations, patients have access to the support of in-house pharmacists who can provide additional information during the consultation, such as blood pressure and temperature. The pharmacist can then dispense the prescribed medication, and the information is saved in the pharmacy's database for future reference and refills. This service sets R-Pharmacy apart from other pharmacies in Malaysia.

Figure 3: Doc2Us Electronic Prescribing System in Pharmacies



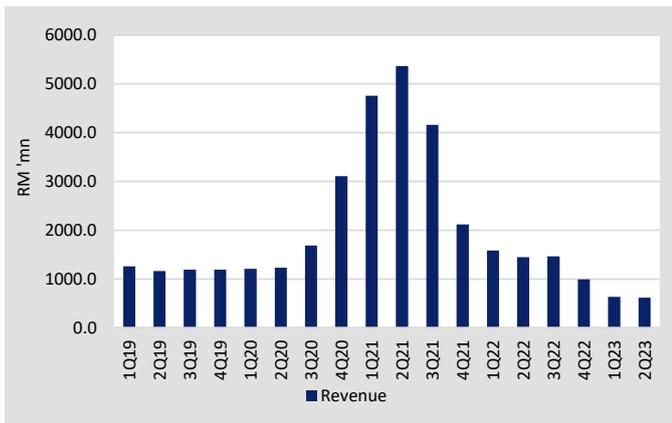
Source: Doc2Us website

**Glove manufacturing.** The Group has entered the healthcare sector with its subsidiary, Pastel Glove Sdn. Bhd., which received FDA 510(k) clearance in June 2021 for its medical-grade nitrile gloves. The subsidiary has the capability to produce custom gloves for specific customer needs, such as 10g healthcare gloves and black latex gloves used in various industries. The factory operations are led by the original founders of the company, who are veterans in the industry.

Pastel Glove has 4 existing glove manufacturing lines with a production capacity of 800 million to 1 billion gloves per year but is currently only operating 2 of them due to decreased demand. Despite the oversupply of nitrile gloves in the market, the management was able to strategically shift production towards latex gloves, which saw more demand and better pricing, allowing them to outperform their peers.

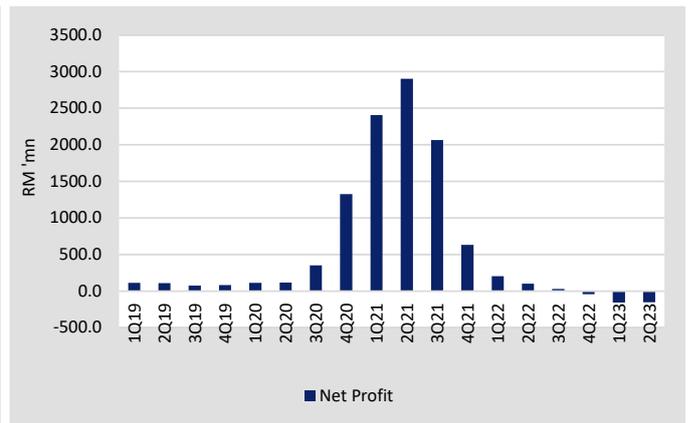
Top Glove Corporation Bhd is the world's largest manufacturer of gloves. Below are Top Glove's quarterly revenue and net profit to show the global market trend for gloves during both pre-pandemic and post.

Figure 4: Top Glove quarterly revenue.



Source: Top Glove, KGI Research

Figure 5: Top Glove quarterly net profit.



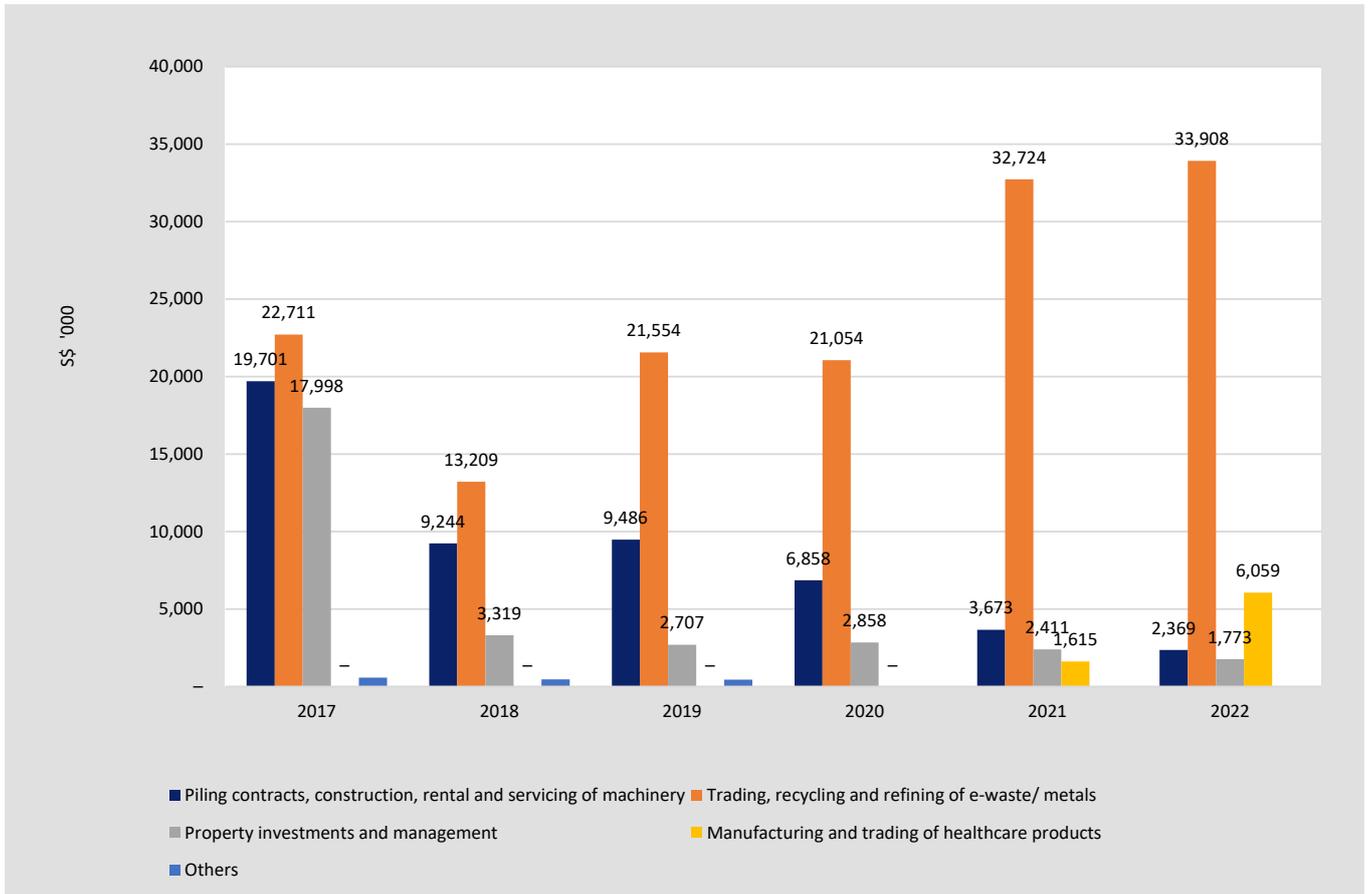
Source: Top Glove, KGI Research

Malaysia's rubber glove sector is facing challenges due to imbalances in demand and supply and elevated costs, but the Malaysian Rubber Glove Manufacturers Association (MARGMA) predicts that the demand for gloves will rise by 15% in 2023 and inventory levels will normalize by the first half of 2023, with the depletion of inventory in the pipeline bringing about equilibrium between production capacity utilisation and global demand. Additionally, the glove industry is advancing towards recycling, incorporating new raw materials, additives, and substances that are environmentally friendly and biodegradable.

**Recycling of E-waste.** Enviro-Hub is a leading provider of e-waste recycling services (with only about 5 players of a similar scale to the Group in Singapore), operating under the brands Cimelia Resource Recovery and HLS Environmental. The company collects e-waste from major multinational corporations and uses its recycling process to extract precious and base metals that can be sold as revenue. With an increasing focus on environmental sustainability, Enviro-Hub has seen a rise in demand for its services and will expand its recycling plant capacity by 40% to 5,100 tonnes/year by 2H2023. The recycling of e-waste segment has been a strong performer for the company, with operating profit before tax more than doubling since 2018 to S\$6.6 million in 2021. In the first half of 2022, revenue from the recycling of e-waste segment grew 14.6% year-over-year to S\$16.4 million, with profit more than doubling to S\$3.5 million.

With EHH to expand its recycling facilities by 2H2023, doubling its waste recycling capacity. Their brands are endorsed by the NEA and they also support ALBA in the recycling of e-waste collected from bins around Singapore. EHH is well poised to benefit from the rising processing volume and contract values of e-waste recycling from electronics manufacturers.

Figure 6: Historical segmental revenue of Enviro-hub showing the difference in revenue generated by each segment.



Source: Enviro-hub, KGI Research

### Valuations and peer comparison

Given that Enviro-hub's recycling, property and healthcare segments are slightly worse than its competitors, we decided to give it a slightly lower P/E and P/S as compared to its competitors due to them operating on a smaller scale.

We used the sum-of-the-part (SOTP) method to derive a TP of S\$0.045 per share based on S\$6.4mn FY23F net profit and valuation multiples shown below.

**Figure 7: Peer comparison**

Segments	Recycling	Property	Healthcare (P/S)	
	(P/E)	(P/S)	Glove	Pharmacy
Industry average P/E(x) / P/S(x)	13.4	2.8	1.8	0.2
Projected P/E(x) / P/S(x)	11.4	1.5	1.4	0.1
Projected market value of segment (S\$ '000)	58,936.2	2,127.6	7,354.4	163.6
Projected market value of Enviro-hub (S\$ '000)	68,581.8			
No. of shares outstanding	1,536,995.0			
<b>Projected share price (S\$ '000)</b>	<b>0.045</b>			

Source: KGI Research, Bloomberg

#### Key Risks

**Exchange rate risk.** Fluctuations in currency exchange rates can have a significant impact on the financial performance of companies with operations in multiple countries. For Enviro-Hub Holdings, the use of the Singapore dollar in their financial statements, while earning much of their revenue in Malaysian ringgit, can result in an unfavourable exchange rate, leading to a decrease in revenue as reported in their financial statements. Additionally, changes in exchange rates may also impact the competitiveness of the company's subsidiary, Pastel Glove Sdn Bhd, in the global market for gloves. These currency exchange rate risks must be closely monitored and managed by the company to mitigate potential negative effects on its financial performance.

**Rising interest rate risk.** As interest rates rise globally, there may be an increased financial burden on the company as it will incur higher interest costs on its outstanding debts. This may impact their financial performance and ability to meet their financial obligations. It is important for the company to closely monitor interest rate trends and implement appropriate risk management strategies to mitigate the potential impact on its financial position.

**Market risk.** Changes in government regulations and policies regarding e-waste disposal and recycling may impact the demand and profitability of e-waste recycling firms. The market for recycled materials is also subject to fluctuations and changes in global supply and demand, which can affect the prices and demand for these materials. These factors can lead to uncertainty and fluctuations in the revenues and profitability of e-waste recycling companies.

**Environmental risk.** Proper disposal of electronic waste is crucial to minimize the negative impacts on the environment and human health. E-waste recycling companies must adhere to strict regulations and guidelines to avoid penalties and fines. Moreover, the use of informal e-waste recycling practices can pose significant health risks to workers and communities, including exposure to toxic chemicals and heavy metals. Similarly, the glove manufacturing industry must also consider potential risks related to environmental regulations and sustainability,

such as emissions of greenhouse gases, waste management and disposal, and the use of hazardous materials.

**Competition risks:** The e-waste recycling industry is becoming more and more competitive, with new firms entering the market regularly. This can make it difficult for established firms to compete and maintain market share. The glove manufacturing sector also faces high competition risks with many firms going into the booming glove industry during the peak of Covid-19. With the increased demand for gloves due to the COVID-19 pandemic, many new players have entered the market, leading to overcapacity and increased competition.

**Oversupply risks.** Overcapacity in the global glove market may continue to cause low selling prices and depressed plant utilization throughout 2023. The industry may take longer than Malaysian Rubber Glove Manufacturers Association (MARGMA) predictions and only recover after more years of consistent demand growth to fill the current excess capacity.

**Financial risks:** E-waste recycling firms may face financial risks associated with the costs of collection, transportation, and disposal, as well as the cost of complying with environmental regulations.

**Quality risks:** Glove manufacturers may face risks related to quality control, such as product defects or contamination, which can lead to costly recalls and damage to reputation.

**Weak demand and lower ASPs for Gloves.** The current state of the rubber glove market is characterized by a correction and imbalance in demand and supply. This has led to a decrease in customer orders because of stockpiling at warehouses and a reluctance among customers to place larger orders due to expectations of further declines in average selling prices and shorter delivery times due to lower utilization among manufacturers. Hence, possibly causing them to further reduce their production capacity. Additionally, there is intense price competition from other glove manufacturers and exceptionally low pricing from some manufacturers who are exiting the market, which has disrupted the pricing structure in the industry.

**Production costs of Gloves.** The price of raw materials, such as natural rubber, latex and nitrile may fluctuate, due to supply chain disruptions and consumption levels. Additionally, the increase in natural gas tariffs, which rose by approximately 24% in October 2022, has added to the costs of production and affected the profitability of manufacturers. The low utilization rate, combined with the increase in natural gas tariffs, has led to an escalation of production costs per unit. Furthermore, declining average selling prices and rising unit costs have resulted in

compressed margins for manufacturers. It is expected that these challenges will continue in the first quarter of 2023.

**Expansion risk.** The fast pace at which R-Pharmacy branches are opening could lead to operational inefficiencies and difficulties in maintaining the same level of customer service and quality across all locations, which may negatively impact the overall brand reputation and customer satisfaction. Additionally, there may be increased pressure on the management team to oversee the rapid expansion, which could lead to increased costs and resource constraints.

**E-waste recycling.** The potential for increased demand for electronic waste recycling services presents a risk for Enviro-Hub Holdings. As the volume of e-waste continues to rise, the company may struggle to keep up with the influx of materials, resulting in a lack of storage capacity. This could lead to delays in the processing and recycling of e-waste, potentially impacting the company's ability to meet the needs of its clients and potentially damaging its reputation as a reliable e-waste recycling provider.

Financial Summary

FYE 31 December					
<b>INCOME STATEMENT (SGD '000)</b>	<b>2021</b>	<b>2022</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
<b>Revenues</b>	<b>40,423.0</b>	<b>44,109.0</b>	<b>50,181.6</b>	<b>53,394.0</b>	<b>58,322.7</b>
Cost of sales	(31,213.0)	(38,214.0)	(39,643.5)	(41,647.3)	(44,908.5)
Other income	6,363.0	11,021.0	9,246.6	9,610.9	10,498.1
Selling and distribution expenses	(3,014.0)	(3,236.0)	(3,901.1)	(4,192.1)	(4,606.2)
General and administrative expenses	(4,989.0)	(4,990.0)	(6,021.8)	(6,407.3)	(6,998.7)
Reversal of/(Allowance for) impairment loss on	69.0	10.0	–	–	–
Other operating expenses	(244.0)	(704.0)	(1,003.6)	(1,067.9)	(1,166.5)
Profit from operation	7,395.0	7,996.0	8,858.3	9,690.3	11,140.9
Finance income	43.0	41.0	41.0	77.1	99.1
Finance expenses	(2,320.0)	(1,849.0)	(1,653.9)	(1,450.3)	(1,265.0)
Net finance (expense)/income	(2,277.0)	(1,808.0)	(1,613.0)	(1,373.2)	(1,165.9)
<b>Profit before income tax</b>	<b>5,634.0</b>	<b>5,961.0</b>	<b>7,245.3</b>	<b>8,317.2</b>	<b>9,975.0</b>
Income tax expense	(45.0)	214.0	(869.4)	(998.1)	(1,197.0)
<b>Profit</b>	<b>5,589.0</b>	<b>6,175.0</b>	<b>6,375.9</b>	<b>7,319.1</b>	<b>8,778.0</b>
<b>BALANCE SHEET (SGD '000)</b>	<b>2021</b>	<b>2022</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Cash and cash equivalents	13,734.0	13,652.0	25,703.9	33,022.6	41,487.6
Other current assets	21,255.0	18,965.0	20,740.8	21,960.4	23,831.7
<b>Total current assets</b>	<b>34,989.0</b>	<b>32,617.0</b>	<b>46,444.7</b>	<b>54,983.0</b>	<b>65,319.3</b>
Property, plant and equipment	35,825.0	34,821.0	33,191.0	31,889.3	30,956.8
Intangible assets	–	26,855.0	26,855.0	26,855.0	26,855.0
Other non-current assets	86,559.0	63,985.0	58,391.1	53,300.6	48,668.2
<b>Total non-current assets</b>	<b>122,384.0</b>	<b>125,661.0</b>	<b>118,437.1</b>	<b>112,044.9</b>	<b>106,480.0</b>
<b>Total assets</b>	<b>157,373.0</b>	<b>158,278.0</b>	<b>164,881.8</b>	<b>167,027.9</b>	<b>171,799.3</b>
Trade and other payables	19,477.0	13,573.0	17,327.7	18,203.6	19,629.0
Loans and borrowings	20,636.0	52,564.0	46,407.9	40,811.4	35,723.6
Other current liabilities	12,021.0	(47,321.0)	(38,535.5)	(33,391.4)	(28,647.9)
<b>Total current liabilities</b>	<b>52,134.0</b>	<b>18,816.0</b>	<b>25,200.1</b>	<b>25,623.5</b>	<b>26,704.8</b>
Loans and borrowings	20,636.0	52,564.0	46,407.9	40,811.4	35,723.6
Other non-current liabilities	4,766.0	2,861.0	2,861.0	2,861.0	2,861.0
<b>Total non-current liabilities</b>	<b>25,402.0</b>	<b>55,425.0</b>	<b>49,268.9</b>	<b>43,672.4</b>	<b>38,584.6</b>
<b>Total liabilities</b>	<b>77,536.0</b>	<b>74,241.0</b>	<b>74,469.0</b>	<b>69,295.9</b>	<b>65,289.4</b>
Unitholders' funds and reserves	79,837.0	84,037.0	90,412.9	97,731.9	106,509.9
<b>Total liabilities and equity</b>	<b>157,373.0</b>	<b>158,278.0</b>	<b>164,881.8</b>	<b>167,027.9</b>	<b>171,799.3</b>
<b>CASH FLOW STATEMENT (SGD '000)</b>	<b>2021</b>	<b>2022</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
<b>Profit before tax</b>	<b>5,634.0</b>	<b>5,961.0</b>	<b>7,245.3</b>	<b>8,317.2</b>	<b>9,975.0</b>
Adjustments	(488.0)	(2,599.0)	5,803.5	5,399.4	5,074.4
<b>Operating cash flows before WC changes</b>	<b>5,146.0</b>	<b>3,362.0</b>	<b>13,048.8</b>	<b>13,716.5</b>	<b>15,049.3</b>
Change in working capital	(1,672.0)	(1,470.0)	1,776.9	(343.7)	(445.8)
Income tax paid	(6.0)	(19.0)	(869.4)	(998.1)	(1,197.0)
<b>Cash flows from operations</b>	<b>3,468.0</b>	<b>1,873.0</b>	<b>13,956.2</b>	<b>12,374.7</b>	<b>13,406.5</b>
Capital expenditure	(1,326.0)	(2,980.0)	(2,560.6)	(2,724.5)	(2,976.0)
Proceeds from disposal of investment properties	–	4,399.0	5,594.0	5,090.5	4,632.3
Others	51,148.0	5,087.0	41.0	77.1	99.1
<b>Cash flows from investing</b>	<b>49,822.0</b>	<b>6,506.0</b>	<b>3,074.4</b>	<b>2,443.1</b>	<b>1,755.5</b>
Lease payments	(800.0)	(889.0)	(760.0)	(562.2)	(506.0)
Dividends paid	–	(2,137.0)	–	–	–
Interest paid	(2,245.0)	(1,711.0)	(1,653.9)	(1,450.3)	(1,265.0)
Other financing cashflow	(52,307.0)	(3,647.0)	(2,564.8)	(5,486.7)	(4,926.0)
<b>Cash flows from financing</b>	<b>(55,352.0)</b>	<b>(8,384.0)</b>	<b>(4,978.7)</b>	<b>(7,499.2)</b>	<b>(6,696.9)</b>
FX Effects, Others	25.0	(77.0)	–	–	–
<b>Net increase in cash</b>	<b>(2,062.0)</b>	<b>(5.0)</b>	<b>12,051.9</b>	<b>7,318.6</b>	<b>8,465.1</b>
Beginning Cash	15,771.0	13,734.0	13,652.0	25,703.9	33,022.6
<b>Ending cash</b>	<b>13,734.0</b>	<b>13,652.0</b>	<b>25,703.9</b>	<b>33,022.6</b>	<b>41,487.6</b>
<b>KEY RATIOS</b>	<b>2021</b>	<b>2022</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
DPS (SGD cents)	–	0.10	0.12	0.14	0.17
Dividend yield (%)	–	2.9	3.7	4.2	5.0
NAV per share (SGD cents)	5.3	5.4	5.9	6.4	6.9
Price/NAV (x)	0.7	0.6	0.6	0.5	0.5
<b>Profitability</b>					
EBITDA Margin (%)	10.4	9.5	9.3	10.6	12.4
Net Margin (%)	13.8	14.0	12.7	13.7	15.1
ROE (ex. Property FV gain) (%)	7.0	7.3	7.1	7.5	8.2
ROA (ex. Property FV gain) (%)	3.6	3.9	3.9	4.4	5.1
<b>Financial Structure</b>					
Interest Coverage Ratio (x)	3.2	4.3	5.4	6.7	8.8
Gearing Ratio (%)	49.5	52.3	31.6	15.5	1.2

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Rating	Definition
<b>Outperform (OP)</b>	We take a positive view on the stock. The stock is expected to outperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
<b>Neutral (N)</b>	We take a neutral view on the stock. The stock is expected to perform in line with the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
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<b>Not Rated (NR)</b>	The stock is not rated by KGI Securities.
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## Appendix

We visited the R-Pharmacy Sierramas, Sungai Buloh Flagship store on October 5th, 2022, and the following day we went to the Pastel Glove factory.

Figure 8: Exterior of R-Pharmacy Sierramas, Sungai Buloh Flagship store



Source: KGI Research

Figure 9: Interior of R-Pharmacy – Well organized and labelled aisles



Source: KGI Research

Figure 10: Pharmacist testing for blood pressure, blood glucose, cholesterol and uric acid



Source: KGI Research

Figure 11: Booths set up by local brands in R-pharmacy on opening day



Source: KGI Research

Figure 12: “Renew” aisle with wide variety of supplements lined on the shelves



Source: KGI Research

Figure 13: Pharmacist ready to assist behind the stocked counter



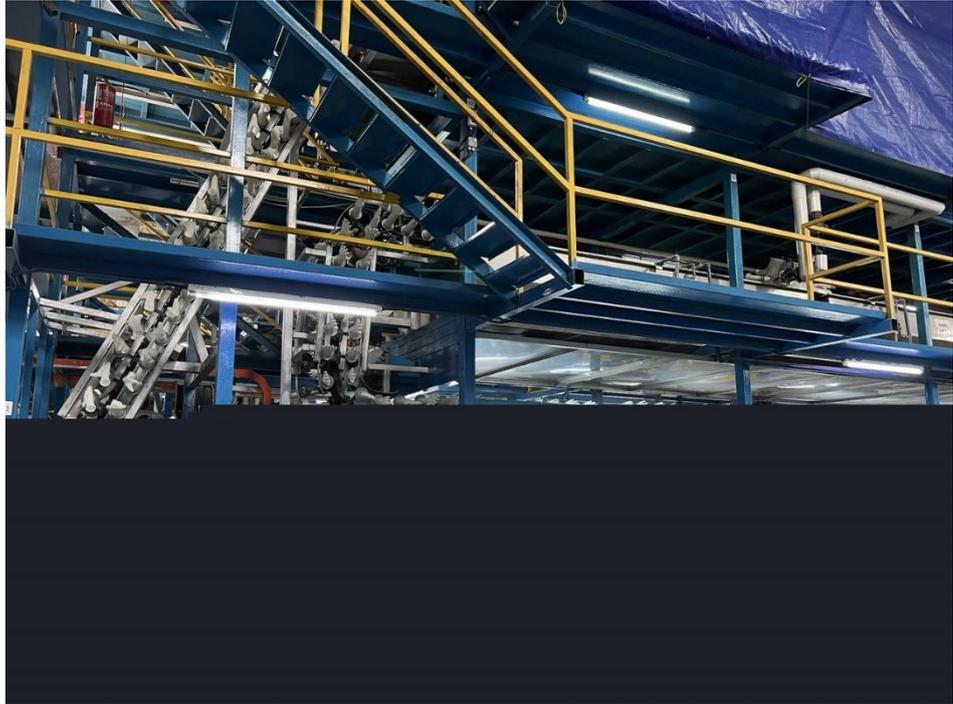
Source: KGI Research

Figure 14: Exterior of Pastel Glove Manufacturing Factory



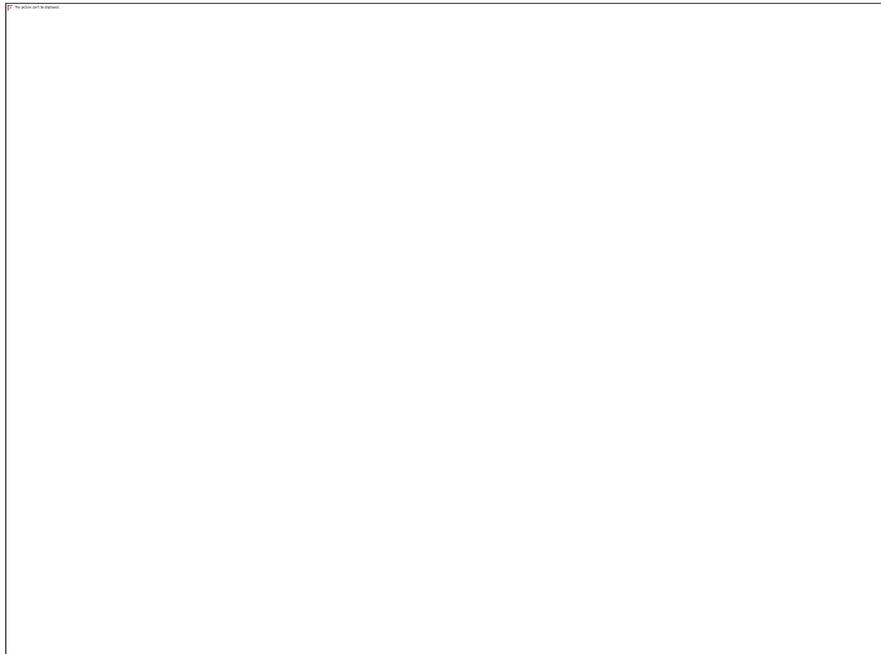
Source: KGI Research

Figure 15: Glove production line, worker inspecting newly produced gloves for defects



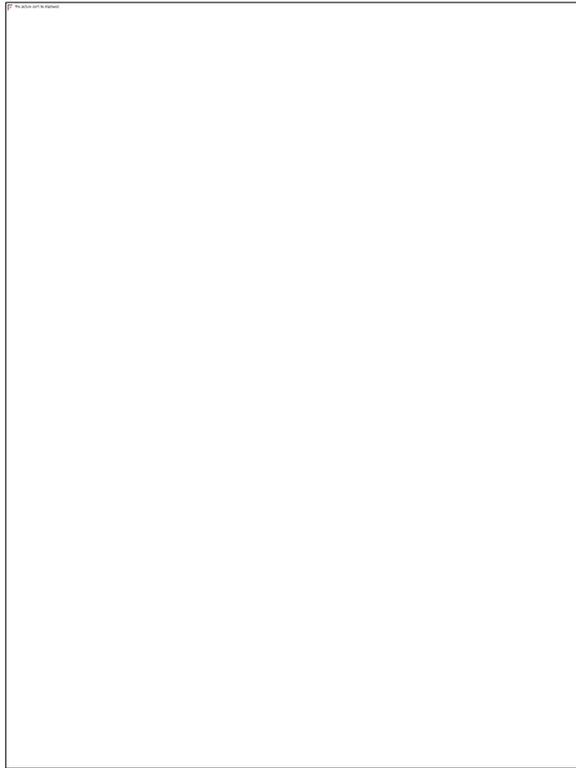
Source: KGI Research

Figure 16: Overview of glove production lines



Source: KGI Research

Figure 17: Checking for leakages in a batch of gloves



Source: KGI Research

Figure 18: Packaging facility located inside the warehouse



Source: KGI Research

Figure 19: Weighing the gloves to ensure accurate glove quantity and packing the gloves



Source: KGI Research

Figure 20: A look inside their warehouse



Source: KGI Research