

# Global Invacom Group (RAD SP)

Technology - Technology

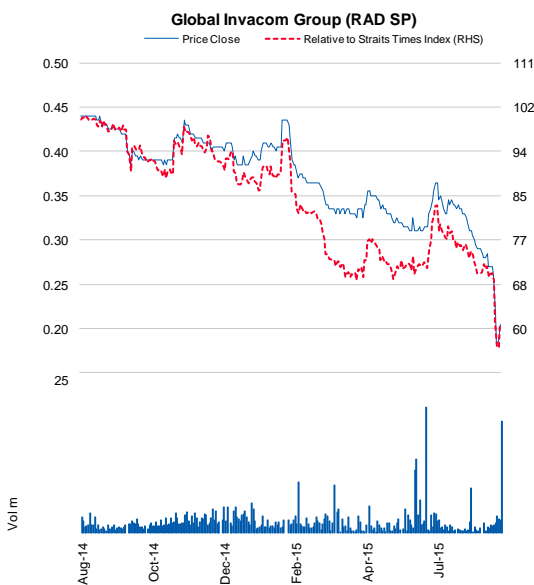
Market Cap: USD37.1m

**Buy** (Maintained)

 Target Price: **SGD0.45**

 Price: **SGD0.21**

## Completion Of Skyware Global

 Macro   
 Risks   
 Growth   
 Value 


Source: Bloomberg

Avg Turnover (SGD/USD)	0.66m/0.48m
Cons. Upside (%)	114.3
Upside (%)	120
52-wk Price low/high (SGD)	0.18 - 0.44
Free float (%)	56
Share outstanding (m)	254
<b>Shareholders (%)</b>	
Neo Chee Beng	7.2
Investec Asset management	5.9
River & Mercantile funds	5.6

### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(50.0)	(37.9)	(35.9)	(47.4)	(53.9)
Relative	(35.4)	(23.6)	(18.9)	(31.2)	(40.3)

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**Global Invacom announced that it officially completed the acquisition of Skyware Global on 24 Aug 2015 and delivered the CDP share transfer forms of 27.96m shares. This means that it is allowed to start purchasing treasury shares again, which it did on 26 Aug 2015, buying back another 7m shares at an average price of SGD0.22. Maintain BUY and SGD0.45 TP (11x FY16F P/E, 114% upside), as we are optimistic on a strong 2H15 turnaround.**

- ◆ **Acquisition completed.** Global Invacom (Glnva) announced that it officially completed the acquisition of Skyware Global (Skyware) on 24 Aug 2015 and delivered the Central Depository (CDP) share transfer forms of 27.96m shares. It has also appointed Mr Gregory Knox Jones, who is also on the board on Skyware, as non-independent non-executive director of the company with effect from 24 Aug 2015.
- ◆ **Share buyback started – 7m shares purchased.** After the completion of Skyware, Glnva is allowed to start purchasing treasury shares again, which it did on 26 Aug 2015, buying back another 7m shares at an average price of SGD0.22. We expect management to continue doing share buybacks in the future as management still thinks the company's shares are significantly undervalued at such price levels.
- ◆ **Strong turnaround ahead.** FY15 performance may be dragged down by a delay in sales to its major customers, due to a change in procurement procedures and some one-off costs such as the acquisition of Skyware which is currently in a loss-making position. However, with: i) an expected increase in demand due to a major customer launching two new satellites in FY16, ii) Skyware close to breaking even and should be profitable by FY16, iii) Glnva being able to supply both dishes and low noise blocks (LNBs) to its largest customer, and iv) its replacement cycle due, we expect Glnva to outperform with an approximately 7x NPAT surge in FY16. We think that current price levels are a steal and given potential positive catalysts ahead, coupled with 40% of its market cap in net cash, we maintain our BUY call with a 11x FY16F P/E TP of SGD0.45.

Forecasts and Valuations	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total turnover (USDm)	116	134	159	186	219
Reported net profit (USDm)	8.0	5.1	1.7	8.3	10.8
Recurring net profit (USDm)	8.0	5.1	1.7	8.3	10.8
Recurring net profit growth (%)	na	(36.5)	(66.5)	388.3	29.8
Recurring EPS (USD)	0.03	0.02	0.01	0.03	0.04
DPS (USD)	0.00	0.00	0.00	0.01	0.01
Recurring P/E (x)	4.2	7.7	21.8	4.5	3.4
P/B (x)	0.76	0.65	0.60	0.55	0.49
P/CF (x)	4.42	5.03	na	1.72	4.25
Dividend Yield (%)	0.0	2.4	0.0	6.7	8.7
EV/EBITDA (x)	1.81	2.39	6.73	0.56	0.20
Return on average equity (%)	19.9	9.7	2.8	12.9	15.2
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash
Our vs consensus EPS (adjusted) (%)			0.0	0.0	0.0

Source: Company data, RHB

## Financial Exhibits

<b>Profit &amp; Loss (USDm)</b>	<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15F</b>	<b>Dec-16F</b>	<b>Dec-17F</b>
Total turnover	116	134	159	186	219
Cost of sales	(87)	(102)	(126)	(143)	(167)
<b>Gross profit</b>	<b>29</b>	<b>32</b>	<b>33</b>	<b>43</b>	<b>52</b>
Gen & admin expenses	(20)	(26)	(30)	(34)	(39)
Selling expenses	(0)	(0)	(0)	(0)	(0)
Other operating costs	1	(1)	(1)	(0)	(1)
<b>Operating profit</b>	<b>9</b>	<b>5</b>	<b>2</b>	<b>9</b>	<b>12</b>
Operating EBITDA	11	8	3	11	14
Depreciation of fixed assets	(1)	(2)	(2)	(2)	(2)
Amortisation of intangible assets	(0)	(0)	-	-	-
<b>Operating EBIT</b>	<b>9</b>	<b>5</b>	<b>2</b>	<b>9</b>	<b>12</b>
Interest expense	0	0	-	-	-
<b>Pre-tax profit</b>	<b>9</b>	<b>6</b>	<b>2</b>	<b>9</b>	<b>12</b>
Taxation	(1)	(0)	(0)	(1)	(1)
<b>Profit after tax &amp; minorities</b>	<b>8</b>	<b>5</b>	<b>2</b>	<b>8</b>	<b>11</b>
<b>Reported net profit</b>	<b>8</b>	<b>5</b>	<b>2</b>	<b>8</b>	<b>11</b>
<b>Recurring net profit</b>	<b>8</b>	<b>5</b>	<b>2</b>	<b>8</b>	<b>11</b>

Source: Company data, RHB

<b>Cash flow (USDm)</b>	<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15F</b>	<b>Dec-16F</b>	<b>Dec-17F</b>
<b>Operating profit</b>	<b>9</b>	<b>5</b>	<b>2</b>	<b>9</b>	<b>12</b>
<b>Depreciation &amp; amortisation</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Change in working capital</b>	<b>(3)</b>	<b>1</b>	<b>(6)</b>	<b>11</b>	<b>(4)</b>
Other operating cash flow	(1)	1			
<b>Operating cash flow</b>	<b>7</b>	<b>9</b>	<b>(2)</b>	<b>22</b>	<b>10</b>
Interest paid	0	0	-	-	-
Tax paid	1	(2)	(0)	(1)	(1)
<b>Cash flow from operations</b>	<b>8</b>	<b>8</b>	<b>(2)</b>	<b>22</b>	<b>9</b>
Capex	(2)	(2)	(5)	(2)	(2)
Other investing cash flow	(11)	(9)	-	-	-
<b>Cash flow from investing activities</b>	<b>(13)</b>	<b>(11)</b>	<b>(5)</b>	<b>(2)</b>	<b>(2)</b>
Increase in debt	(0)	(0)	-	-	-
Other financing cash flow	(1)	11	-	(3)	(3)
<b>Cash flow from financing activities</b>	<b>(1)</b>	<b>11</b>	<b>-</b>	<b>(3)</b>	<b>(3)</b>
Cash at beginning of period	21	15	21	14	31
<b>Total cash generated</b>	<b>(7)</b>	<b>8</b>	<b>(7)</b>	<b>17</b>	<b>3</b>
Forex effects	1	(1)	-	-	-
<b>Implied cash at end of period</b>	<b>15</b>	<b>21</b>	<b>14</b>	<b>31</b>	<b>34</b>

Source: Company data, RHB

## Financial Exhibits

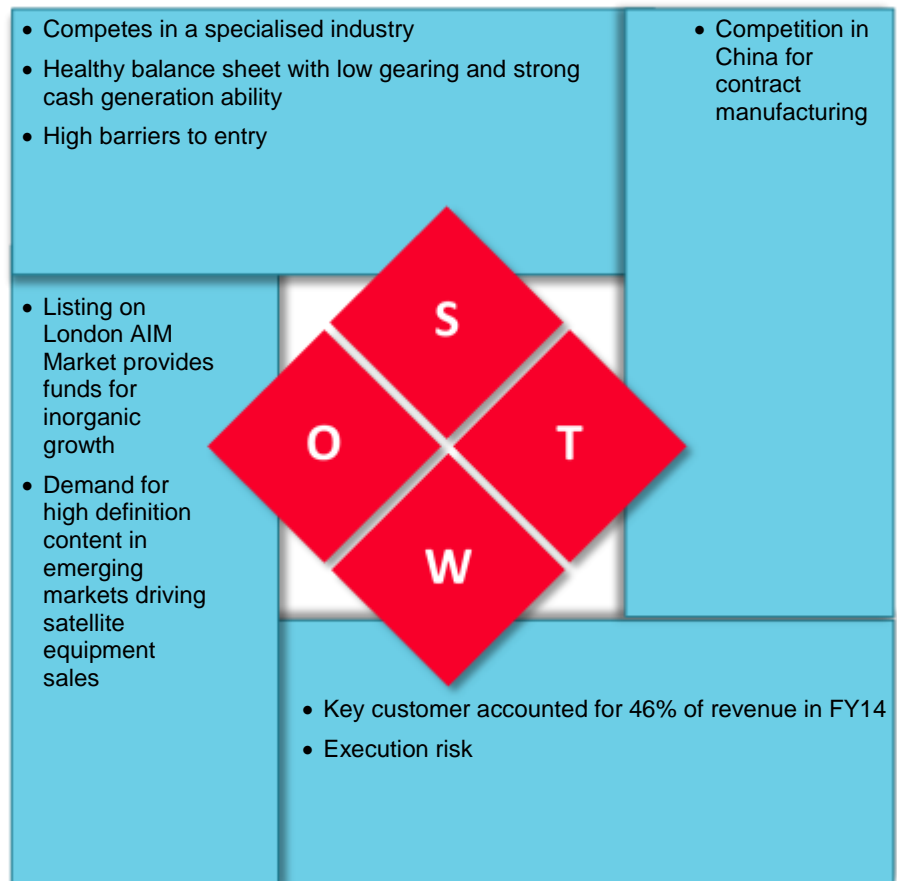
<b>Balance Sheet (USDm)</b>	<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15F</b>	<b>Dec-16F</b>	<b>Dec-17F</b>
Total cash and equivalents	15	21	14	31	34
Inventories	26	27	33	21	25
Accounts receivable	19	15	18	21	25
Other current assets	2	3	3	3	3
<b>Total current assets</b>	<b>62</b>	<b>66</b>	<b>68</b>	<b>76</b>	<b>87</b>
Tangible fixed assets	11	11	14	14	14
Intangible assets	6	9	9	9	9
Total other assets	0	1	0	0	0
Total non-current assets	17	20	23	23	23
<b>Total assets</b>	<b>79</b>	<b>87</b>	<b>91</b>	<b>99</b>	<b>110</b>
Short-term debt	0	-	-	-	-
Accounts payable	16	14	18	20	24
Other current liabilities	12	11	11	11	11
<b>Total current liabilities</b>	<b>29</b>	<b>26</b>	<b>29</b>	<b>31</b>	<b>35</b>
Other liabilities	6	1	1	1	1
<b>Total non-current liabilities</b>	<b>6</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Total liabilities</b>	<b>35</b>	<b>27</b>	<b>30</b>	<b>32</b>	<b>36</b>
Share capital	45	57	57	57	57
Other reserves	(0)	3	5	11	18
<b>Shareholders' equity</b>	<b>45</b>	<b>60</b>	<b>62</b>	<b>68</b>	<b>75</b>
Other equity	-	-	(1)	(1)	(1)
<b>Total equity</b>	<b>45</b>	<b>60</b>	<b>61</b>	<b>67</b>	<b>74</b>
<b>Total liabilities &amp; equity</b>	<b>79</b>	<b>87</b>	<b>91</b>	<b>99</b>	<b>110</b>

Source: Company data, RHB

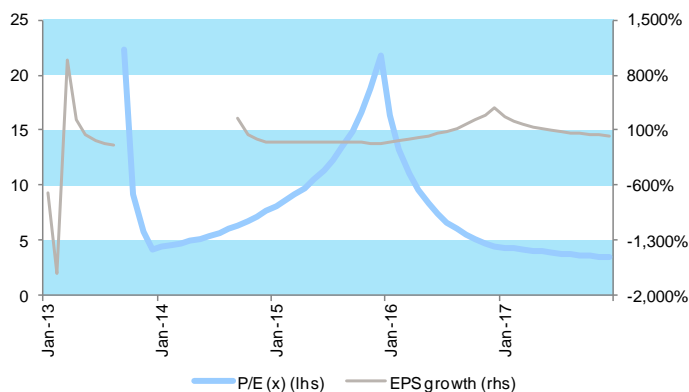
<b>Key Ratios (USD)</b>	<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15F</b>	<b>Dec-16F</b>	<b>Dec-17F</b>
Revenue growth (%)	55.0	15.9	18.4	17.3	17.6
Operating profit growth (%)	na	(40.9)	(66.2)	388.3	29.8
Net profit growth (%)	na	(36.5)	(66.5)	388.3	29.8
EPS growth (%)	na	(45.3)	(64.6)	388.3	29.8
BVPS growth (%)	23.5	15.6	8.7	9.4	11.2
Operating margin (%)	8.0	4.1	1.2	4.8	5.3
Net profit margin (%)	6.9	3.8	1.1	4.5	4.9
Return on average assets (%)	10.5	6.1	1.9	8.8	10.3
Return on average equity (%)	19.9	9.7	2.8	12.9	15.2
Net debt to equity (%)	(32.4)	(35.3)	(22.6)	(46.2)	(46.2)
DPS	0.00	0.00	0.00	0.01	0.01
Recurrent cash flow per share	0.03	0.03	(0.01)	0.08	0.03

Source: Company data, RHB

## SWOT Analysis

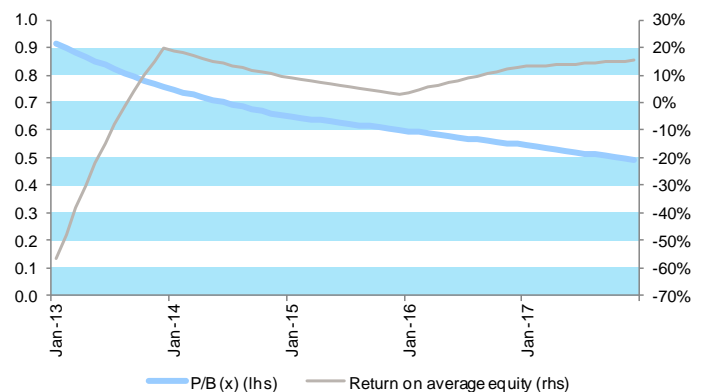


P/E (x) vs EPS growth



Source: Company data, RHB

P/BV (x) vs ROAE

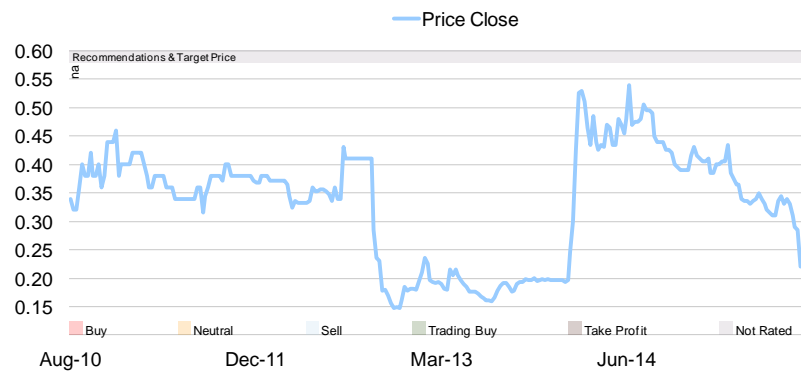


Source: Company data, RHB

## Company Profile

Global Invacom Group Limited, an investment holding company, engages in the research and development, design, and supply of integrated satellite communications equipment in America, Europe, Asia and internationally. The company was founded in 1985 and is headquartered in Singapore.

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2015-08-23	Buy	0.45	0.22

Source : RHB, Bloomberg

## RHB Guide to Investment Ratings

**Buy:** Share price may exceed 10% over the next 12 months

**Trading Buy:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

**Neutral:** Share price may fall within the range of +/- 10% over the next 12 months

**Take Profit:** Target price has been attained. Look to accumulate at lower levels

**Sell:** Share price may fall by more than 10% over the next 12 months

**Not Rated:** Stock is not within regular research coverage

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a) -

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