

# Apple Inc

## The Pink Lady®

Bloomberg | Reuters | POEMS  
AAPL US | AAPL O | AAPL  
Industry: Computer hardware

Phillip Securities Research Pte Ltd

27 June 2012

### Report type: Company Report

#### Company Overview

Apple Inc designs, manufactures and markets mobile communication and media devices, personal computers, and portable digital music players, and sells a variety of related software, services, peripherals, networking solutions, and third party digital content and applications. Apple products include the iMacs, iPods, iPhones, iPads, iTunes, iBooks, iCloud, iMovie, iLife, iPhotos.

#### What is the news?

Apple shifted focus to Asia by giving consumers in Asia the access to music and movies on iTunes. During the recent WWDC 2012, Apple announced upgrades on software, introduced Apple mapping technology, facebook integration and a more advance Siri. The company also dropped prices on their Macbooks by \$100. Competition is heating up with Samsung range of Galaxy products overtaking iPhone sales and Windows introduction of Surface tablet.

#### How do we view this?

Since Jobs left, Apple had not introduced an awe-inspiring gadget to the disappointment of many. Some critics believe that Apple having lost its visionary is sinking into ordinaire status.

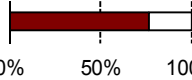
But Apple still maintains its lead over competitors with a vertically integrated platform of content, software and device which they have built up over a decade. Each of Apple's products has a strong competitor with almost perfect mimicking skills but none of them can successfully replicate the top-down integrated strategy without banding with fellow competitors. Apple understands this well and works to strengthen this synergy by ensuring the sum of its parts are greater than the individual bits.

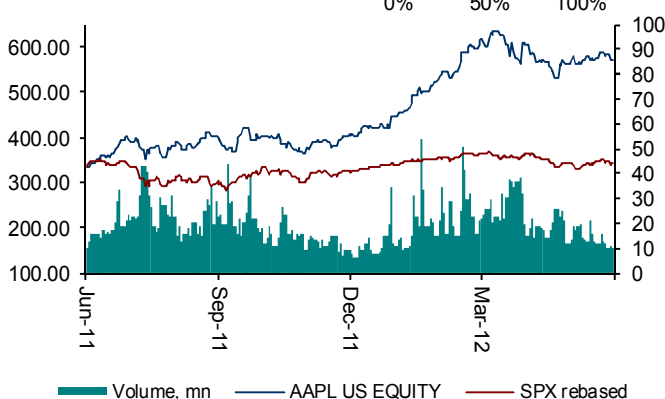
A new Apple product can be copied within 3 years but increased stickiness to Apple can protect the company's legacy and ensure the success of the next device. We believe this corporate strategy is lost on many naysayers of Apple.

#### Investment Actions?

In the face of more intense competition, Apple shares are unlikely to climb rapidly to \$1000, as some analysts forecasted. But Apple share are still worth accumulation for its 2% dividend yield and low forward PE of 9x, base on FY13E EPS of \$68. Historically, Apple traded at 40x PE, 5 yr historical average is 22x and recent movement hovered around 11-14x.

#### Apple Inc

<b>Rating</b>	<b>2</b>	<b>Accumulate</b>
- Previous Rating	nil	Not Rated
<b>Target Price (USD)</b>	<b>620</b>	
- Previous Target Price (USD)	nil	
Closing Price (USD)	572.03	
Expected Capital Gains (%)	8.4%	
Expected Dividend Yield (%)	1.9%	
<b>Expected Total Return (%)</b>	<b>10.2%</b>	
Raw Beta (Past 2yrs weekly data)	1.03	
Market Cap. (USD mn)	534,879	
Enterprise Value (USD mn)	424,703	
3M Average Daily T/O (mn)	20.2	
52 week range (USD)	327.25 - 644	
Closing Price in 52 week range		



#### Major Shareholders

	(%)
1. Fidelity Management	5.1
2. Vanguard Group	4.2
3. State Street Corp	3.8

#### Key Financial Summary

FYE	09/10	09/11	09/12F	09/13F
Revenue (USD mn)	65,225	108,249	171,964	240,750
Net Profit, adj. (USD mn)	14,013	25,922	48,025	66,341
EPS, adj. (USD)	15.15	27.68	50.80	68.90
P/E (X),adj.	37.7	20.7	11.3	8.3
BVPS (USD)	51.68	81.80	122.05	179.52
P/B (X)	11.1	7.0	4.7	3.2
DPS (USD)	0.00	0.00	10.60	10.60
Div. Yield (%)	0.0%	0.0%	1.9%	1.9%

Source: Bloomberg, PSR est.

\*All multiples & yields based on current market price

#### Valuation Method

9x Forward PE FY 13E

#### Analyst

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### Lining the pocket with a bite of Apple

Apple builds stickiness in many ways. Gone were the days when it just sold Apple II and Macintosh. Today's Apple has built vertically integrated hardware-software engineered products and platform, supported by a lively ecosystem of developers, publishers, musicians and consumers.

Apple **builds stickiness** through:

#### Revolutionary Products – iMac, iPod, iPhone, iPad

Having experienced the functionality of these products, there is no going back to the past.

iPod with its famous click wheel which scrolls hundred of songs within seconds annihilated the market for traditional mp3 players. Traditional MP3 players required users to click a button a thousand times to get to the 1000th song, so even if the player has the capacity for 1000 songs, it was not user friendly.

iPhone with its multi touch gesture allowed users to tap, pinch and swipe. Using digits instead of stylus is intuitive, simple and convenient. iPhones removed the complexity in smart phones and allowed users who are neither smart nor wise to use them with ease.

iPad is a great device for consuming contents on the run. Movies, books, magazines and games can be carried snugly in a single gadget tuck under the arms. Games which used to be played on computers and consoles are playable on the iPad allowing hours of entertainment on end.

Apple products roll multiple products/content into one gadget, they have the functionality that trumps competitors, and for style, Jobs' meticulous attention to beauty had ensured each product is good to sashay down the runway. Apple's products epitomise style and beauty for technology products. Techies have often chose functionality over form but Apple products showed the two are complementary.

**iTunes** – was initially established as a place where users can preview songs and download each for \$0.99. Now, books, movies and apps can be downloaded. Users are able to download content via iTunes or on devices and sync the content. Things downloaded from iTunes are only compatible on Apple devices thus building stickiness.

**App store** – 30 billion of apps have been downloaded and \$5bn had been paid out to developers and still counting. Apple receives 30% of the apps revenue from users. Apps downloaded are only compatible with Apple devices. There are more developers producing apps for Apple than for the Android. And because Apple pre-approve the apps, users are protected from malicious viruses.

Consumers who have spent a small fortune building up their music, books and apps library are unlikely to switch allegiance to other operating systems.

**iCloud** is a relatively new addition to the Apple family. Cloud computing is not a new concept but it is applied in an inventive way by Apple. Amazon's Kindle Fire, uses a competing operating system (Android) which enables users to download content (music, movies, books) and to store on the Amazon's cloud. But Kindle's sales network is not as expansive as Apple and the content is geographically available only in US. Amazon does not produce multiple devices so its cloud is largely for storage.

Apple's iCloud does more than storing things. It can integrate all Apple products. An Apple user can generate contents, say by taking a photo and the photo is not only stored on iCloud but can sync across multiple devices, iPad, iMac, iPod *wirelessly and automatically*. With iCloud, there is no fear of losing content when an Apple gadget malfunctions and backup had not been done.

Apple has **emotional appeal**. The revolutionary products have spawn legions of fans. In the past, Apple II and Macintosh had created a small fan club but now with more products and a wider outreach, the emotional appeal infuses new users more intensively. The apple culture has become more pervasive than before spreading not just to its consumers but to employees who cried when notified of their acceptance into Apple's sales force, as documented by NYT.

Apple improves products through **innovation**

Apple's ability to produce 3 outstanding products within a decade has left us wanting and waiting for the next big hit. But the company appears focused on software developments and refinements. During Worldwide Developers' Conference (WWDC) 2012, Tim Cooks announced the following improvements to the new iOS6:

- Apple's **Mapping Technology** – Currently Google map resides on every iPhone and iPad. About half of Google's map traffic comes from Apple devices. But Google's decision to enter the mobile phone space with Android, and to withhold advance updates on Google maps from Apple users irk Apple so much that Apple flexed its muscles and acquired companies (C3 Technologies, Poly9 Group and Placebase) to help it create its own mapping tools. In iOS6, Apple maps will officially replace Google maps.

Apple maps will have voice navigation feature (like GPS), real time traffic update (from users' help), turn by turn function. Users may even ask Siri for directions. Exciting development, yes, but mapping technology is generally not positioned as a strong revenue generator. The new innovation is merely done to counter Google's hegemony in maps.

- **Siri** – to many who have not spoken to Siri, Apple's voice assistant will merely come across as tacky and possibly

useless. But users living with Siri quickly get used to how useful it is. Not just for relieving boredom from aloneness, Siri is a speech recognition system with search capabilities and who can interact back in a *human* voice.

A user is able to speak to his phone (Siri), request for tasks to be done, eg, setting timers, alarms, and texting replies. Siri is able to pull up search results ranked by ratings when asked for the nearest restaurant. The AI function is a revolutionary way of using mobiles and incredibly useful for freeing up time. Siri was shipped with iPhone 4S and will be made available on iPads via a software upgrade to iOS6. In the latest version, Siri will be integrated with Apple maps and FB app. We believe using Siri is as easy as saying 1-2-3 and people will embrace it as the database of responses become exceptionally intelligent. Siri is likely to become the norm rather than the exception.

Siri's closest competitor is the Android S Voice from the Samsung Galaxy S III but the responses are not as intelligent. Windows-Nokia collaboration does not have voice assistant which rivals Siri yet.

**Facebook integration** – Facebook has strength as a social networking site on computers but difficulties monetizing services offered in the mobile space, Apple is giving it a lift by embedding FB in iPhone, iPad and iTunes. Using Siri, users are able to tell their Apple gadgets to update their Facebook status; click “Like” for movies and apps on iTunes; Events in FB's calendar and birthdays of friends will also appear on iPhone's calendar. Though the relationship is positioned as being symbiotic, we view the alliance more in favour for FB than Apple. This move by Apple is more likely a reaction to Windows collaboration with Skype on the upcoming Windows phone.

**Apple TV** –the latest device was not mentioned by Cooks during WWDC 2012. Understandably as Apple TV appears more as an aggregator of content with a single output on a bigger screen. Its pure intent of integrating contents across multiple products is not a new concept. But perhaps, Apple TV is a prelude to an actual big screen TV.

**Apple Search Engine** – we are not surprised if Apple does a full scale launch into the search engine business. Siri is in some ways, similar to one already. Apple has access to people's preferences for music, books, movies, news (magazine subscriptions), games, interest (via apps downloads). As more people embrace Siri for its search capabilities, Apple has more information about what people want to look for on the mobile. These are valuable information with monetizing possibilities.

Apple currently has Safari browser and Siri, hence the strategy of having a search engine is but another natural advancement of where its business can be.

### **Innovation and Stickiness spur Demand**

Customers who have built up a vast library of contents accessible only via Apple devices have built stickiness with Apple, ensuring the Company has a stream of repeat customers when they replace/refresh their Apple products because the devices are spoiled/lost/outdated.

Interaction available among Apple users help to develop an Apple community and strengthen the Apple identity. Switching to a non-Apple device has the potent to instantly alienate a user within the Apple community. A case in point will be the loss of communication via iMessage.

Apple has 363 stores in 11 countries at the end of 2Q12. Average revenue per store had increased by 33% y-y for the first 6 mths of the year to \$29.2mn. Two-thirds of the stores are in US representing the potential for greater growth as Apple opens new stores in developing and emerging countries in China, India and Indonesia. Price cuts on old models create entry points for new customers to own Apple products in these countries, thereby spurring greater demand.

### **Apple and Baidu Alliance**

iPhones sold in China will incorporate Baidu's search function in return for a share of Baidu's advertising sales revenue. iPhones and iPads will also have Chinese language support for Siri. Services available for the Chinese customers will also include Weibo microblog and China's version of Youtube videos called Youku. Already, Baidu is found on 80% of branded Android phones available in China. The new alliance will allow Apple to compete head to head with Android.

### **Expansive** use of Apple products

When iPad was first introduced by Jobs, the reaction was considered lukewarm as investors struggle to think of reasons why customers will use tablets instead of net books. 2 years after the launch of iPad, it was clear how iPad could change the world. Through iPad, Apple could dip its fingers into greater pies. iBooks 2 allowed students to have access to thick, heavy reference books on the move. Children in junior school used it for drawing, reading and writing.

More than 90% of Fortune 500 companies are testing or have deployed the use of iPad. Retail stores used iPad for moving inventory, hotels for check in and restaurants for taking orders. The iPad revolutionised the way businesses operate.

### **Challenges Apple faces**



**But, is it still the same without Jobs?**  
Apple had changed lives but can Apple create magic without Steve Jobs? Despite all the good we have mentioned about Apple products, the scent of uncertainty

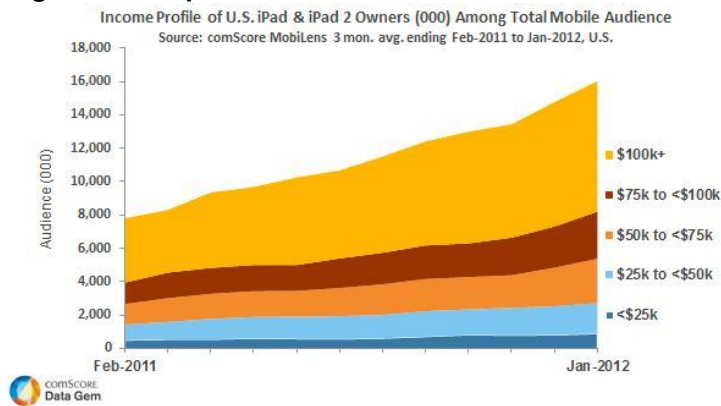
lingers. Without Jobs, is Apple capable of delivering another revolutionary product?

So far, we have seen advancements in areas which are largely manifestations of Jobs' ideas. Software upgrades are interesting and useful but they mainly enhance existing Apple's users' experiences without being able to attract a critical mass of new users. iCloud value add is only useful if users have more than 1 Apple product but for most people, the iPhone is their sole entry point and experience ceased there.

**Apple products are pricey**

Apple products are not cheap. The chart below shows the income profile of US iPad and iPad 2 owners. The largest percentage of owners are those with income >\$100k.

**Fig 1. Income profile of iPad Owners**



Source: ComScore

iPad 3 cost \$499 and iPad 2 for \$399. Competitors' Amazon Kindle Fire and Rim Playbook are each priced at \$199. Even though Apple products are greatly desired, the prices keep them out of reach of majority's hands. Capturing market share will mean lowering prices which in turn, will hit margins. But Apple's focus was never about commanding market share or price discrimination to extract consumer surplus.

**Competitors closing in**

Without Jobs, competitors are rebounding with renewed life force, making up for loss ground when Jobs reigned. iPhones contribute 43% of Revenue and 55% of gross profit in FY11. According to IDC, Samsung range of Galaxy products had overtaken the iPhones market share in the first quarter of 2012.

**Table 1: Top Five Worldwide Smartphone Vendors, Shipments, and Market Share, (Units in Millions)**

Vendor	1Q12 Unit Shipments	1Q12 Market Share	1Q11 Unit Shipments	1Q11 Market Share	Y - y Change
Samsung	42.2	29.1%	11.5	11.3%	267.0%
Apple	35.1	24.2%	18.6	18.3%	88.7%
Nokia	11.9	8.2%	24.2	23.8%	-50.8%
RIM	9.7	6.7%	13.8	13.6%	-29.7%
HTC	6.9	4.8%	9.0	8.9%	-23.3%
Others	39.1	27.0%	24.5	24.1%	59.6%
Total	144.9	100.0%	101.7	100.0%	42.5%

Source: IDC Worldwide Mobile Phone Tracker, May 1, 2012

Microsoft showcased Surface tablets, comparable in size to iPad with 10.6 inch screens and 1.5 pounds in weight. What is different is the tablet has a Touch Cover which doubles up as a magnetic cover and a pressure sensitive full keyboard. At first glance, the product appears to be a successful cross between tablets and net books, and has potential to capture market amongst consumers who wants a tablet's mobility but ease of typing.

**Fig 2. Microsoft Surface Tablet**



Source: Microsoft

**Removal of Telco Subsidies**

Apple did not start out with the intention to erode Telco's profits but app developers changed the equation. Telcos embraced smartphones initially, raking in by charging higher data plans. But apps developed had allowed texting, calls and transmission of documents to bypass Telco's network, lower usage meant decline in earnings. Subsidizing smart phones soon became a double whammy for telcos.

Should Telcos remove smart phones subsidies, will the equipment makers reduce their prices or will consumers pay more. Reduction of prices may maintain market share but at the cost of lower margins. If consumers are made to pay, margins are retained but sales may fall.



**Friends have turned foes more than once**

Apple worked with Microsoft to produce Office for Macintosh in the past but Microsoft became its greatest competitor in the computer space. Apple worked with Google and Google launched Android which became iPhone's nemesis. Competing in a tight space, will Facebook and Baidu be the next foe and can Apple hit back?

**Dividend payments, Shares buyback**

Tim Cooks believe in capital redistribution through dividend payments and share buybacks. Maybe under Jobs, Apple had really amassed too much money which was overdue for sharing. More money for investors is always a joyous occasion. But we can remove the grandeur by weaving in financial theory which says companies return funds because they cannot find profitable investment projects.

**Focused on Revenge**

Eric Schmidt was the CEO of Google and sat on Apple Board, Google had collaborated with Apple on occasions so when Google announced its entry into mobile business, Apple was offended. In hopes that Androids fail, Apple filed suits on patent infringements against Motorola and Samsung and reduced Google's ability to skim data from Apple mobile users. In its fight for supremacy or exacting pay-back against others who done wrong to it, it may be debatable whether Apple had been caught up in antagonistic acts or overly focused only on advancements with impact on competitors.

**Anti-trust Law**

Apple products had adversely impacted many competitors - across geographical regions and industries. Even if it did not start out with an offensive strategy, it ended with one. Jobs was never afraid of cannibalization because if they do not, he believed someone else will. Within the family, iPhones took iPod sales; and iMacs by iPads, outside the family, iPods annihilated the MP3 market; iPads caused declines in demand for game consoles (Xbox, Playstations and Nintendos) and Telcos got the brunt of a culture which embraced smartphones. Now, Apple maps and Siri could send the GPS makers packing. A consolidated market is good for consumers but not for corporates as too many casualties are involved. When a key player dominates for far too long, anti-trust laws may be filed and if successful, may break up Apple's influence.

**Apple Management**

Pessimists may believe Apple will flounder into losses eventually, like what happened in the past when Jobs was ousted. But Apple is unlikely to sink into redundancy for the simple reason that Tim Cooks is Jobs chosen henchman and had helm the company for each of the time Jobs was on medical leave (2004, 2009, 2011). The rest of Apple's veterans are still largely in charge which should also ensure that the corporate strategy does not deviate too much.

The other Apple Veterans :

**Eddy Cue – Snr VP Internet Software and Services**

Eddy, a 23 Apple veteran is instrumental in setting iTunes store, app Store and iCloud etc.

**Scott Forstall –Snr VP, iOS Software**

Joined Apple in 1997, Scott followed Jobs from NeXT and is responsible for iPhone operating system, interface, applications and frameworks

**Johnathan Ive, Snr VP Industrial Design**

He is The Man famous for Apple products' sleek designs.

**Bob Mansfield, Snr VP Hardware Engineering**

Joined Apple in 1999, he oversees the team that has delivered dozens of breakthrough Mac products including the MacBook Air and the all-in-one iMac line.

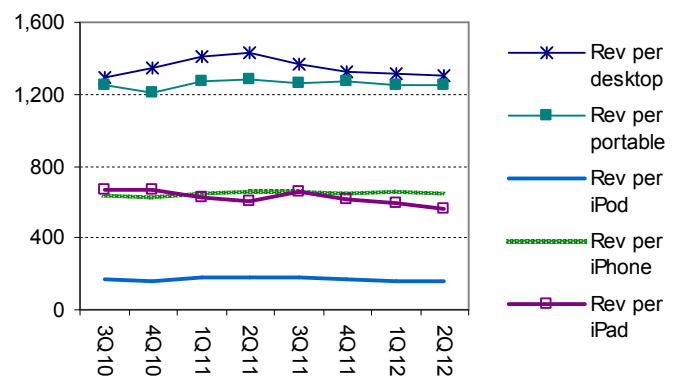
The Changes at Apple:

A key management change will be the departure of Ron Johnson who left to head JC Penney, after 11 years with Apple. Ron was responsible for the conceptualization of Apple stores and for being the highest grossing per square foot retail brand in the world. Benjamin Fay, Apple's Senior Director of Retail Real Estate, Design and Development had also left to join Ron. John Browett replaced Ron as Apple's new Senior VP of Retail operations, having joined them in April 2012. He was previously from European technology retailer Dixons Retail and is responsible for raising Apple's sales people wages.

Apple Senior Art Director Sharon Hwang, who headed the graphics design team, had left Apple to join Facebook's product design team.

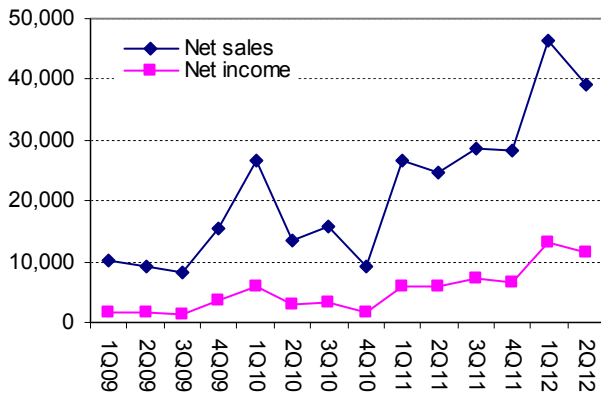
**Financials**

**Fig 3. 3Q10-2Q12 Rev per product unit**



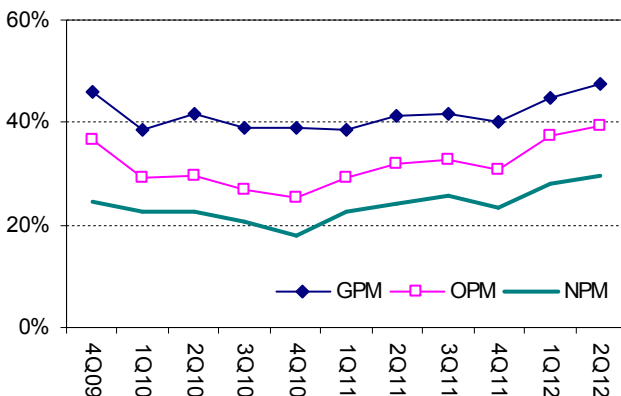
Source: Phillip Securities Research, Company

**Fig 4. 1Q09- 2Q12 Net Income (\$'mn)**



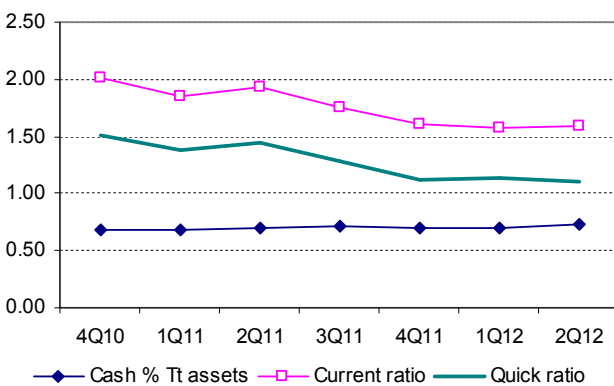
Source: Phillip Securities Research, Company

**Fig 5. 4Q09- 2Q12 Margins**



Source: Phillip Securities Research, Company

**Fig 6. 4Q09- 2Q12 Liquidity**

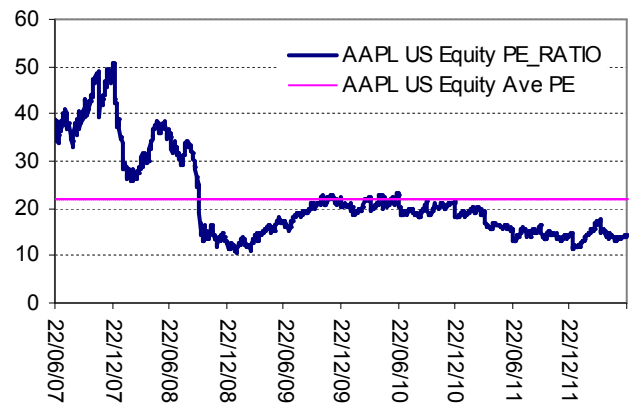


Source: Phillip Securities Research, Company

**5 Yr historical PE**

In 2007-2008, Apple was priced at a hefty PE of ~40x. By late 2008, PE was just 11.5x. Between 2010 and 2011, PE recovered to high of 20+. Currently, Apple trades below its 5 yr historical average PE of 22x. Through linear extrapolation of 1H12 EPS, FY12E earnings is expected to be \$53 (assume revenue growth 60% y-y, GPM 46%, OPM 38%, NPM 29%), giving a PE of 10.8x, base on current share price of \$570.

**Fig 7. 2007 – 2012 PE Ratios**



Source: Phillip Securities Research, Bloomberg

**Apple's Future**

**The Edge Jobs gave to Apple - The Vertical and Close System**

Jobs managed to produce stellar products because his "reality distortion field" enshrouded his team with beliefs that they can do the impossible. He gave amazing product launches and marketed a lifestyle, as opposed to just products. Getting another Steve Jobs on board Apple is almost impossible. A man this great with such free spiritedness will start his own company rather than work for a corporate, even if its one laden with superlatives.

Jobs had created a vertical and close system over decades. While competitors can easily copy products, or may grab market share in one segment, it will have immense difficult re-creating the users experience. It is hard to see Amazon, a content player, moving to PC and mobiles production or for Samsung to establish tie ups with music and books content provider. Competitors are still fragmented while Apple had successfully consolidated.

**To survive – just a firm base of repeat Customers**

Apple iPhones make up only ~5% of the global cellular phones market and tablets are new relative to laptops. Global penetration rate is low yet despite being low, Apple is already the most profitable company in the world. Apple's strategy does not require a sizeable market share to be profitable, just a firm base of Apple customers who integrate their daily life with Apple products, via downloads of the latest songs, books and games.

**Apple can and will lose some customers**

The birth of iPhones put smartphones in many consumers' hands but not everyone utilizes the phone well. Users who are not tech savvy enough to upgrade the phone's operating system or who do not have a 2<sup>nd</sup> Apple product, are not able to experience the excitement of the new upgrades. Any customer who does not have his life revolved around the iTunes store does not build stickiness.

Both categories of customers are dispensable to Apple because they are unlikely to have generated significant repeat revenue in the first place and even if they deflect to competitors, it is quite unlikely that they generate significant yields given these customers' innate temperament.

**Sailing into China and rest of Asia**

Apple has a new alliance with Baidu. It will open new stores in China and has launched a Chinese speaking Siri, Apple has recently allowed some Asian countries to download songs and movies via iTunes. We view this as another positive move as easing barriers to its content will mean greater revenue.

**Biggest competitor**

We think Microsoft has the largest potential to compete with Apple, apple to apple. Microsoft clearly dominates in the PC segment, has created a tablet, broke alliance with Nokia in favour of building its own phone, has a search engine, Bing (dismal performance, no doubt), is in the games segment through Xbox, bought Skype, etc. It should not be taunting for the company to have tie ups with publishers, movie

studios and music companies to offer content in sync with its new devices.

**Investment Outlook**

We recommend accumulating Apple's shares. Apple is still the leader of the pack for the many reasons we have listed. Competitors are introducing more decent looking prototypes but their technology is not as advanced as Apple. Android was supposed to be the nemesis to iOS but we saw fragmentation within its ranks with the Galaxy and Kindle Fire breaking away from 'mainstream' Android. It will take time for Windows to stabilize its stable of offerings – content and device, which will allow Apple the time to expand into new frontiers, to advance its already advanced technology.

In terms of valuation, we believe the market is pricing Apple at a discount and is doubtful over Cook's competence to fight off competitors and to introduce new gadget. Still at forward PE of 9x base on FY13E EPS \$68, valuations are undemanding for the world's greatest company, hence our call to Accumulate.

**Technical Analysis**

Previous Close : \$572  
Support : \$530  
Resistance : \$600

Apple meets a trend line support at current price level ~\$570. 50, 100 and 200 day MOV continue to show upward momentum but should the 50 day (purple) dip below the 100 day (green), it has a negative connotation, signifying further price decline. Base on the chart, we suspect future price moments could be relatively weak, thereby giving us the opportunities to accumulate shares at lower levels.

**Fig 8: Apple June 2010-April2012 Daily Chart**



Source: Bloomberg

FYE Sep	FY10	FY11	FY12F	FY13F
<b>Valuation Ratios</b>				
P/E (X), adj.	37.7	20.7	11.3	8.3
P/B (X)	11.1	7.0	4.7	3.2
EV/EBITDA (X), adj.	21.9	11.9	6.5	4.7
Dividend Yield (%)	0.0%	0.0%	1.9%	1.9%
<b>Per share data (USD)</b>				
EPS, reported	15.15	27.68	50.80	68.90
EPS, adj.	15.15	27.68	50.80	68.90
DPS	0.00	0.00	10.60	10.60
BVPS	51.68	81.80	122.05	179.52
<b>Growth &amp; Margins (%)</b>				
<b>Growth</b>				
Revenue	52.0%	66.0%	58.9%	40.0%
EBITDA	55.6%	83.4%	84.5%	37.9%
EBIT	56.6%	83.8%	88.1%	38.3%
Net Income, adj.	70.2%	85.0%	85.3%	38.1%
<b>Margins</b>				
EBITDA margin	29.8%	32.9%	38.2%	37.6%
EBIT margin	28.2%	31.2%	37.0%	36.5%
Net Profit Margin	21.5%	23.9%	27.9%	27.6%
<b>Key Ratios</b>				
ROE (%)	35.3%	41.7%	49.9%	46.0%
ROA (%)	22.8%	27.1%	34.7%	35.0%
Net Debt/(Cash)	(11,261)	(9,815)	(15,550)	(24,137)
Net Gearing (X)	Net Cash	Net Cash	Net Cash	Net Cash
<b>Income Statement (USD mn)</b>				
<b>Revenue</b>	<b>65,225</b>	<b>108,249</b>	<b>171,964</b>	<b>240,750</b>
<b>EBITDA</b>	<b>19,412</b>	<b>35,604</b>	<b>65,684</b>	<b>90,579</b>
Depreciation & Amortisation	1,027	1,814	2,137	2,705
<b>EBIT</b>	<b>18,385</b>	<b>33,790</b>	<b>63,546</b>	<b>87,874</b>
Net Finance (Expense)/Income	311	519	431	431
Other items	(156)	(104)	(150)	(150)
Associates & JVs	0	0	0	0
<b>Profit Before Tax</b>	<b>18,540</b>	<b>34,205</b>	<b>63,827</b>	<b>88,155</b>
Taxation	4,527	8,283	16,103	22,114
<b>Profit After Tax</b>	<b>14,013</b>	<b>25,922</b>	<b>48,025</b>	<b>66,341</b>
Non-controlling Interest	0	0	0	0
<b>Net Income, reported</b>	<b>14,013</b>	<b>25,922</b>	<b>48,025</b>	<b>66,341</b>
<b>Net Income, adj.</b>	<b>14,013</b>	<b>25,922</b>	<b>48,025</b>	<b>66,341</b>

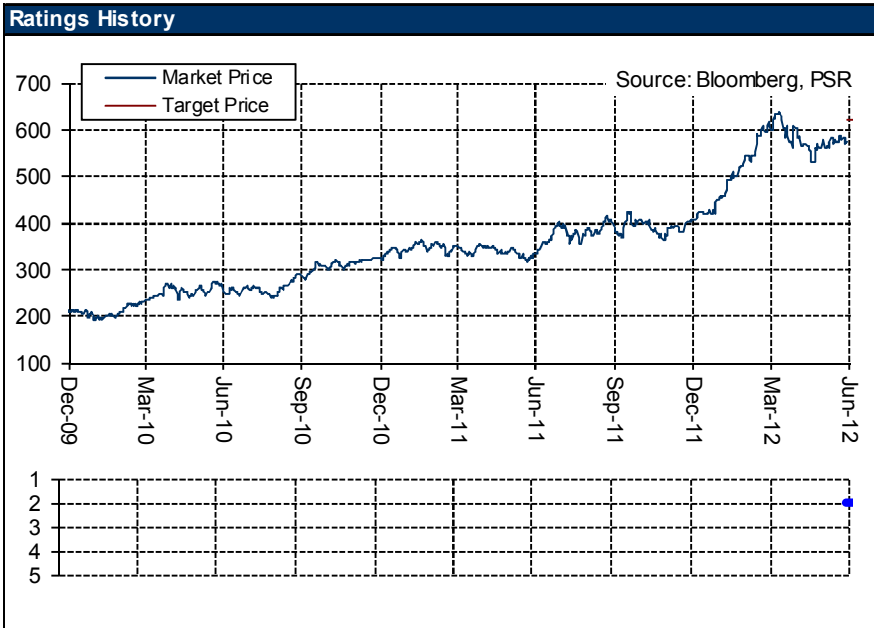
Source: PSR



FYE Sep	FY10	FY11	FY12F	FY13F
<b>Balance Sheet (USD mn)</b>				
PPE	4,768	7,777	9,900	10,195
Intangibles	1,083	4,432	4,945	4,945
Associates & JVs	0	0	0	0
Investments	25,391	55,618	80,471	117,679
Others	2,263	3,556	4,801	5,521
<b>Total non-current assets</b>	<b>33,505</b>	<b>71,383</b>	<b>100,117</b>	<b>138,339</b>
Inventories	1,051	776	987	1,086
Accounts Receivables	5,510	5,369	6,711	7,382
Investments	14,359	16,137	23,784	35,233
Cash	11,261	9,815	15,550	24,137
Others	9,497	12,891	13,020	13,150
<b>Total current assets</b>	<b>41,678</b>	<b>44,988</b>	<b>60,053</b>	<b>80,987</b>
<b>Total Assets</b>	<b>75,183</b>	<b>116,371</b>	<b>160,170</b>	<b>219,327</b>
Short term loans	0	0	0	0
Accounts Payables	12,015	14,632	17,558	19,314
Others	8,707	13,338	14,453	14,598
<b>Total current liabilities</b>	<b>20,722</b>	<b>27,970</b>	<b>32,012</b>	<b>33,912</b>
Long term loans	0	0	0	0
Others	6,670	11,786	12,375	12,552
<b>Total non-current liabilities</b>	<b>6,670</b>	<b>11,786</b>	<b>12,375</b>	<b>12,552</b>
Non-controlling interest	0	0	0	0
<b>Shareholder Equity</b>	<b>47,791</b>	<b>76,615</b>	<b>115,783</b>	<b>172,862</b>

<b>Cashflow Statements (SGD mn)</b>				
<b>CFO</b>				
PBT	18,540	34,205	63,827	88,155
Adjustments	3,346	5,850	2,137	2,705
Cash from ops before WC changes	21,886	40,055	65,965	90,860
WC changes	1,236	5,757	1,115	280
Cash generated from ops	23,122	45,812	67,079	91,140
Taxes paid, net	(4,527)	(8,283)	(16,103)	(22,114)
Interest paid	0	0	0	0
<b>Cashflow from ops</b>	<b>18,595</b>	<b>37,529</b>	<b>50,977</b>	<b>69,026</b>
<b>CFI</b>				
CAPEX, net	(2,005)	(4,260)	(4,260)	(3,000)
Dividends from associates & JVs	0	0	0	0
Dividends/Interest from Investments	0	0	0	0
Purchase/sale of investments	(11,075)	(32,464)	(32,501)	(48,656)
Investments in subs & associates	0	0	0	0
Others	(136)	(3,451)	(513)	0
<b>Cashflow from investments</b>	<b>(13,854)</b>	<b>(40,419)</b>	<b>(37,274)</b>	<b>(51,656)</b>
<b>CFF</b>				
Share issuance	912	831	1,668	1,000
Purchase of treasury shares	0	0	0	0
Loans, net of repayments	0	0	0	0
Dividends to minority interests	0	0	0	0
Dividends to shareholders & capital reduction	0	0	(9,936)	(10,085)
Others	345	613	0	0
<b>Cashflow from financing</b>	<b>1,257</b>	<b>1,444</b>	<b>(8,268)</b>	<b>(9,085)</b>
<b>Net change in cash</b>	<b>5,998</b>	<b>(1,446)</b>	<b>5,736</b>	<b>8,586</b>
Effects of exchange rates	0	0	15,551	24,137
<b>CCE, end</b>	<b>11,261</b>	<b>9,815</b>	<b>15,551</b>	<b>24,137</b>

Source: PSR



**PSR Rating System**

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

**Remarks**

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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