

## Singer Bangladesh Limited

Flash Note (April 02, 2019)

Rating: **'Not-Rated'**

Current Market Price: 185.6

**DSE:** SINGERBD; **BLOOMBERG:** SINGER:BD

**Sector:** Engineering

**Update on the Arçelik A.Ş's acquisition of Singer Bangladesh's holding company**

*Arçelik's global experience & expertise will result in acceleration of the growth engine of the business of Singer Bangladesh Ltd. by extending its foothold in the local market further*

- Acquisition of Singer's Bangladesh business by Arçelik A.Ş at \$75 million by acquiring Retail Holdings Bhold B.V. (sponsor shareholder of Singer Bangladesh Ltd.).
- Retail Holdings Bhold B.V.'s 57% sponsor shares includes 20% non-remittable sponsor shares that are restricted as to the remittance of dividends and proceeds from sale of these shares.
- There will be no change in the shareholding structure of the company (Singer), no direct exchange or trade of Singer's share in Bangladesh but Ardutch B.V. (subsidiary of Arçelik A.Ş.) will be the ultimate owner of Singer's 57% shares by acquiring 100% shares of Retail Holdings Bhold B.V., The Netherlands.

**LATEST PSI:** Retail Holdings Asia B.V. (the "Seller"), 100% shareholders of Retail Holdings Bhold B.V. ("Majority Shareholder") which is the legal and beneficial owner of 56.99% shares of the Singer Bangladesh Ltd. (as of 22.03.2019), has executed a Share Purchase Agreement on 22.03.2019 (the "SPA") to sell and dispose 100% issued and outstanding shares in the share capital of the Majority Shareholder to Ardutch B.V. (the "Buyer"), a subsidiary of Arçelik A.Ş.- Turkey's industry leader in white goods, built-in appliances and air-conditioners markets and owner of BEKO brand for a deal size of \$75 million; and the buyer has agreed to purchase the same from the Seller, subject to the satisfaction or waiver of the conditions precedent therein (the "Transaction"). As a result of this transaction, the Buyer will become the ultimate beneficial owner of 43,707,183 shares of the Singer Bangladesh Ltd., being approximately 56.99% of the total share capital of the company, through holding 100% shares in the share capital of the majority shareholders. However, and notwithstanding the foregoing, the majority shareholder will continue to be the sole legal and beneficial owner of the 43,707,183 shares of the company, constituting approximately 56.99% of the total share capital of the company and there will be no change in the shareholding of the company.

The \$75 million deal to acquire Singer BD by Arçelik represents fair valuation of stock however with Arçelik's entry in Bangladesh, future growth potential of the company looks attractive

Impact of the ownership change deal of Retail Holdings Bhold B.V.	
Deal Size (Acquisition price of Bhold B.V. by Ardutch B.V.)	BDT 6,320.0 million USD 75.0 million
Valuation of Retail Holdings Bhold B.V. (sponsor shareholder of Singer Bangladesh Ltd.) based on the 6 months average market price (before announcement) of Singer Bangladesh Ltd. shares in DSE with 36.99% ownership (excluding 20% non-remittable shares)	BDT 6,535.0 million USD 77.6 million
<b>Deal happened at a discount from six months average market value</b>	<b>-3.3%</b>
Valuation of Retail Holdings Bhold B.V. (sponsor shareholder of Singer Bangladesh Ltd.) based on the current market price (BDT 185.6 per share) of Singer Bangladesh Ltd. shares in DSE with 36.99% ownership (excluding 20% non-remittable shares)	BDT 6,845 million USD 81.2 million
<b>Deal happened at a discount from current market price</b>	<b>-7.7%</b>

**Note:** 20% of the total shares outstanding of the company are restricted as to the remittance of dividends and proceeds from sale of these shares. So, effective ownership of Retail Holdings Bhold B.V. at SINGERBD is actually 36.99%. A detailed presentation of the above calculation is available in Appendix- 1. ; Assumed exchange rate BDT 84.25 per USD.

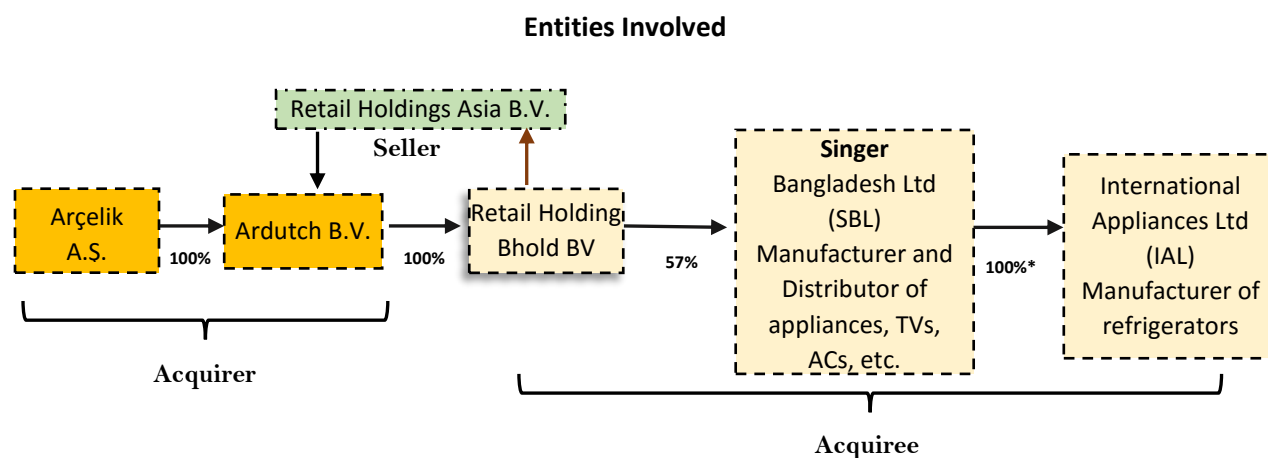
The stock of Singer Bangladesh Ltd. is currently trading at BDT 185.6 per share in DSE (as on 2<sup>nd</sup> April 2019). Arçelik A.Ş. subsidiary Ardutch B.V. acquired Retail Holdings Bhold B.V. for a \$75 million deal for 57% shares of the Singer Bangladesh Ltd.<sup>1</sup> However, the 57% shares include 20% of the total shares outstanding of the company that are restricted as to the remittance of dividends and proceeds from sale of these shares. So, the acquired entity won't be able to receive any dividend proceeds or realize sale proceeds from these shares. Hence, it can be reasoned that, the \$75 million deal is basically for non-restricted 37% sponsor shares only as the remaining 20% restricted equity doesn't actually have any value to the sponsor entity. For 28,376,962 shares (pre-bonus adjustment) of the company representing 37% of the total shares outstanding, the acquisition cost per share stands at BDT 222.0 per share. Adjusting for 30% stock dividend the acquisition cost per share stands at BDT170.8 per share. So, the stock is currently trading at almost 8.7% premium price from the acquisition value (excluding restricted equity).

Considering \$75 million deal for 43,707,183 shares (before bonus issue adjustment), representing 57% of the total shares of the company the acquisition cost per share stands at approximately BDT 144 per share. After adjusting for the share price dilution of 30% bonus issue, the acquisition cost per share stands at BDT 111 per share approximately.

Singer Bangladesh Limited is expected to reap greater benefit from Arcelik's global business experience

Turkey's largest industrial conglomerate and a member of the Fortune 500, Arçelik possess a very strong balance sheet and decades of highly successful operating experience across many markets around the world. Founded in 1955 as a subsidiary of Koç Holding, Arçelik is a leading player in the global home appliance industry. Arçelik offers its products and services in 146 countries via 21 production facilities in 8 countries and 34 sales and marketing organizations in 30 countries and 12 brands (Arçelik, Beko, Grundig, Blomberg, ElektraBregenz, Arctic, Leisure, Flavel, Defy, Dawlance, Voltas Beko and Altus)<sup>2</sup>. Arçelik is listed on Istanbul Stock Exchange and also the third largest home appliance company in Europe. It also maintained its leadership position with the Arctic brand in Romania, Defy in South Africa and Dawlance in Pakistan. Beko, the global brand and leader in the European solo white goods market, maintained its leading position in the UK and Poland. Singer Bangladesh will also have access to the extensive Arçelik brand portfolio. Following the sale, Singer Bangladesh will continue to have a royalty-bearing license from SVP Worldwide, the owner of the Singer trademark, to use "Singer" in the company name and the "Singer" brand on its stores, products and services. Combining Arçelik's global expertise, scale and knowledge with Singer's strong market position and brand image in Bangladesh, Singer Bangladesh Ltd. will be able to extend its foothold in the local market further.

## About the deal



\*Singer Bangladesh purchased the minority shareholder interests in IAL in early 2019, as on December 2018, Singer owned 83.8% of IAL shares<sup>1</sup>.

<sup>1</sup> <http://www.arcelikglobal.com/en/company/press-room/press-releases/arcelik-to-acquire-singer-bangladesh-operations-for-75-million/>

<sup>2</sup> [http://www.arcelikas.com/page/72/Corporate\\_Overview](http://www.arcelikas.com/page/72/Corporate_Overview)  
<https://www.koc.com.tr/en-us/activity-fields/sectors/consumer-durables/arcelik>

- Deal Size: USD 75 million.
- Implied EV is USD 162 million, implying an EBITDA multiple of 8.2X (as per the reported EBITDA)
- Closing is expected to be finalized in April 2019 and subject to fulfilment of closing conditions.
- In connection with the transaction, Singer Bangladesh Ltd. will be granted a license from SVP Worldwide, the owner of the "Singer" trademark, to continue to use the trademark "Singer" on the Company's stores, products and services.

(Source: *Arçelik Investment into Bangladesh, March 2019 disclosure*³.)

## Financial Summary of Singer Bangladesh Ltd.

BDT in million (unless otherwise stated)	2013	2014	2015	2016	2017	2018
<b>Income Statement Items</b>						
Revenue	6,605	7,262	6,911	9,007	11,059	13,701
<i>Growth</i>	-1.5%	9.9%	-4.8%	30.3%	22.8%	23.9%
EBITDA	636	637	663	944	1,256	1,674
<i>Growth</i>	-21.0%	0.2%	4.1%	42.4%	33.1%	33.3%
<i>EBITDA Margin</i>	9.6%	8.8%	9.6%	10.5%	11.4%	12.2%
Net Profit	382	362	369	546	746	921
<i>Growth</i>	-22.1%	-5.2%	1.9%	48.0%	36.6%	23.5%
<i>Net Profit Margin</i>	5.8%	5.0%	5.3%	6.1%	6.7%	6.7%
Restated EPS (in BDT, pre dividend adjustment for FY2018)	6.23	4.72	4.81	7.12	9.79	11.96
<b>Balance sheet as at end December</b>						
Inventories	1,254	1,522	1,127	2,160	2,968	3,897
Trade receivable	946	881	1,042	1,538	1,856	2,225
Trade payable	719	735	804	1,158	1,508	1,646
Net working capital	1,481	1,668	1,365	2,540	3,316	4,476
Cash and cash equivalent	168	153	104	152	203	195
Total interest bearing borrowings	26	218	19	1,131	1,587	2,775
Shareholder's equity	2,633	1,527	1,417	1,947	2,160	2,299
Debt to equity ratio (times)	0.01	0.14	0.0	0.6	0.7	1.2

\* EBITDA calculated as net operating profit plus depreciation and amortization; General election instability impacted 2013, whilst 2015 was affected by civil unrest. \* Data as on December each year for 12 months period.

## Reason for acquisition of Singer Bangladesh Limited by Arçelik

The consumer durables market in Bangladesh offers huge potential with its expanding middle income class (MAC) and young age population. Over the next decade, the growth in the industry will come from Asia-Pacific region. Arçelik has been intensively growing in Asia-Pacific in the last decade with greenfield investments in China, Thailand, Pakistan, and India in a bid to establish a trade corridor along the historical Silk Road. The Singer Bangladesh deal is key to Arçelik's strategy of creating a continuous and strong presence along the historical Silk Road. Singer Bangladesh has a strong brand heritage & extensive retail network<sup>4</sup>. Arcelik looks to continue to build on these strengths by pushing new boundaries and creating strong synergies across retail management, production, purchasing and product sourcing. Arcelik's mid-term target is to become the market leader in the major product groups.<sup>5</sup>

<sup>3</sup> <http://www.arcelikas.com/UserFiles/file/Arcelik%20Investment%20into%20Bangladesh.pdf>

<sup>4</sup> [http://www.retailholdings.com/pressReleases/pressReleasesFile\\_173.pdf](http://www.retailholdings.com/pressReleases/pressReleasesFile_173.pdf)

<sup>5</sup> <https://menafn.com/1098290930/Arcelik-to-Acquire-Singer-Bangladesh-Operations-for-75-Million>  
<https://www.prnewswire.com/in/news-releases/arcelik-to-acquire-singer-bangladesh-operations-for-75-million-843136571.html>

\*\* Disclaimer of EBLSL & the analyst has been annexed at the end of this report

## Arçelik' Global Investment Deals

**1955:** Arçelik establishment

**1999- 2000:** Consolidation of Arçelik's Turkish operations

**2002: International investments:** Arctic (Romania), Blomberg (Germany), Elektra Bregenz (Austria), Leisure and Flavel (UK)

**2006:** Arçelik greenfield investment in Russia

**2007:** Acquisition of washing machine plant in China

**2008:** Grundig acquisition

**2011:** South African acquisition (Defy), sales and marketing company in Australia

**2012:** Sales and marketing company in Egypt and Ukraine

**2015:** Thailand Investment

**2016:** Acquisition of Dawlance in Pakistan

**2017:** "Voltas Beko" JV in India

**2019:** Acquisition of Singer in Bangladesh

machines, microwaves and other white goods / domestic appliances in India, having headquarter in Mumbai. Both the company announced to set up a factory for manufacturing refrigerators, washing machines, microwave ovens and dish washers in India along with sourcing other products from Arçelik's global manufacturing facilities and vendor base.

During the JV formation, Arçelik announced for a sales target of USD 1.0 billion, plant capacity of 3 million units, expected cumulative capex of USD 155.0 million, and achieving 10% market share in India over the next 10 years after

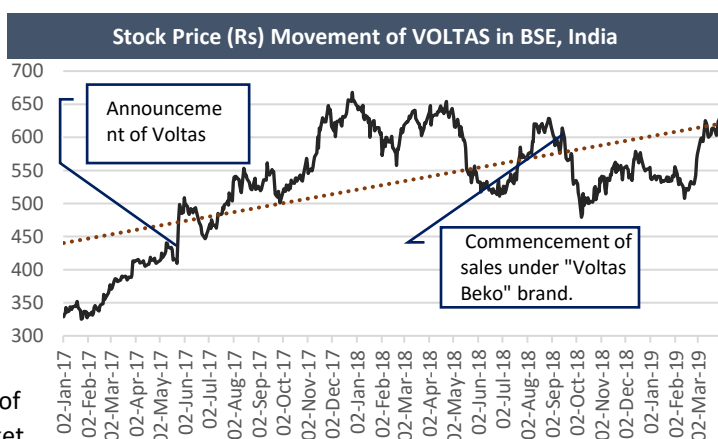
## Arçelik's recent acquisition/ investment deals in Asia Pacific region

**Pakistan:** Arçelik acquired leading appliance company in Pakistan, Dawlance for an USD 258 million in 2016 that had an annual sales of around USD 220 million prior to acquisition, EBITDA margin of around 20%, EV of USD 288 million, implying an EBITDA multiple of 6.4X and \$30 million net debt at the end of 2015. Besides, during the acquisition, Arçelik also announced for an expected CAPEX of around USD 40-45 million over the next five years after acquisition.

In Pakistan, Dawlance operates through a complex web of subsidiaries in order to minimize its tax expenses. A group company registered by the name of United Refrigeration Industries manufactures goods and then 'sells' to another subsidiary that either sells it onwards to local dealers or exports the durables<sup>6</sup>.

<b>URIL (United Refrigeration Industries Ltd.)</b>	<b>DPL (Dawlance Private Limited)</b>	<b>PAN ASIA Private Equity Ltd. -Owner of DEL (Dawlance Electronics (Pvt.) Ltd. in Pakistan.</b>
Manufacturer of refrigerators& freezers	Manufacturer of refrigerators& freezers	Distributor of URIL and DPL products

**India:** Voltas Limited - A Tata Enterprise, and Ardutch B.V. have established an equal partnership joint venture company "Voltas Beko" in India in 2017 with an equity capital of USD 100 million to enter the consumer durables market in the country. At the time of formation of the JV, Voltas was the market leader for residential air-conditioners in India, with over 20% market share. The JVC was formed aiming to launch refrigerators, washing



Source: BSE, India & EBLSL Research

<sup>6</sup> <https://tribune.com.pk/story/1134014/turkish-company-acquire-dawlance-258-million/>

formation of the company. The JV commenced its commercial operation in India in September 2018 with imported Arçelik's products. The in-house plant is likely to commence operation by the year 2020.

### Reason for sale of Singer Bangladesh Limited by Retail Holdings N.V.

Decade ago, Retail Holdings' ("ReHo"), the ultimate parent company of Singer Bangladesh Ltd., stated its short-to-medium term strategy as to maximize and, ultimately, to monetize the value of its assets, with the objective to divest these assets globally and to distribute the resulting funds to shareholders. ReHo stated its objective as to commence ultimate liquidation of its retail business and to distribute the resulting funds to its shareholders. The company intends to minimize its holding company personnel and other administrative cost, and to use cash in access of requirements to pay dividend and distributions to the shareholders and/or to opportunistically purchase shares. In line with the strategy, the company has already divested its businesses from India, Pakistan, Sri-Lanka and Thailand in last few years.

The net cash consideration to be received for the Bhold (SBL's immediate parent company) shares is approximately US\$75 million, subject to certain post-closing adjustments. Approximately 54.1% of this amount is attributable to the Retail Holdings (ultimate parent company) shareholders. Following the sale, Retail Holdings only remaining operating asset will be Singer Asia's 59.1% equity interest in Singer India Limited.

### Singer Bangladesh Ltd. is the largest retailer of consumer durables in Bangladesh

Singer Bangladesh is the largest retailer of consumer durables in Bangladesh. Singer Bangladesh has an extensive product portfolio including color televisions, refrigerators, domestic furniture, sewing machine, electric cables, computer & instant power supply, kitchen appliances and other consumer electronics as well as household appliances. Singer sells all categories of household consumer durables under the Singer and third-party brands. Singer Bangladesh Limited holds 10% of the market shares in consumer durables industry which is the second largest market share in the industry<sup>7</sup>. Currently, the company has 385 stores in all the 64 districts of Bangladesh. Their sales centers are named as Singer Mega and Singer Plus. Apart from that, the Company has more than 720 dealers who work as distributors for the company. The company also has 11 services centers and 460+ service agents across Bangladesh. The manufacturing plant of the company is located at Rajfulbaria, Jhamur, Savar.

The company was founded in 1905 and after the liberation war it was incorporated as a private limited company in 4<sup>th</sup> September, 1979 and listed at DSE in 1983 & at CSE in 2001.

**Key Personnel:** Mr. Gavin J. Walker (Chairman), Mr. M.H.M. Fairoz (Managing Director & CEO).

#### Shareholding Structure:

Shareholding Structure as on December 2018		
Name of shareholder	Proportion	No. of share
Retail Holdings Bhold B.V., The Netherlands	37%	28,373,941
Retail Holdings Bhold B.V., The Netherlands -non-remittable shares	20%	15,333,242
Other shareholders	43%	32,987,308
<b>Total</b>	<b>100%</b>	<b>76,694,491</b>

	Sponsor	Government	Institute	Foreign	Public
As on Dec 31, 2016	70.00%	0.00%	9.56%	0.00%	20.34%
As on Dec 31, 2017	57.00%	0.00%	12.68%	11.80%	18.52%
As on Jan 31, 2019	57.00%	0.00%	15.05%	7.34%	20.61%
As on Feb 28, 2019	57.00%	0.00%	15.45%	7.30%	20.25%

<sup>7</sup> <http://www.thedailystar.net/business/samsung-opens-two-appliance-plants-bangladesh-1420264>

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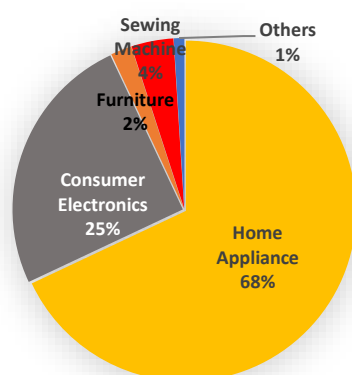
## Subsidiary Company: International Appliance Limited (IAL)

IAL is presently a wholly owned subsidiary of Singer Bangladesh Limited (SBL). SBL had invested 40% in the shares of International Appliance Limited in 2014. In an agreement with Sunman, SINGERBD invested another 33.85% in International Appliance Limited which was previously held by Sunman. According to the agreement, Singer Bangladesh granted Sunman an irrevocable and continuing call option to acquire 33.85% shares of International Appliance Limited, exercisable in one tranche only for the full amount effective and enforceable up to 1st March 2023, with 60 days written notice. The exercise price of the call option will be equal to face value of the 33.85% shares plus 12% compounded annual interest on the value of the shares less any dividend received from these shares. Later on 16 October 2017, SBL further increased the investment in IAL to 83.83%. The subsidiary has yearly capacity to produce 250,000 refrigerators. The company started its commercial operation in 26th July, 2016. Singer Bangladesh purchased the remaining minority shareholder interests in IAL in early 2019, turning it into a 100% owned subsidiary.

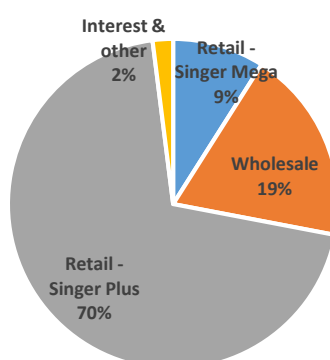
## Singer Bangladesh has diversified product offerings in consumer durables with wide distribution network

The Company's products are Air Conditioner, Chest Freezer, Computer, IPS, Air Cooler, Gas Burner, Microwave Oven, Refrigerator, Iron, Musical Instruments, Panel Television, Sewing Machine, Voltage Stabilizer, Electronic Oven, Washing Machine, Water Purifier, Kitchen Appliances, Furniture and Fan.

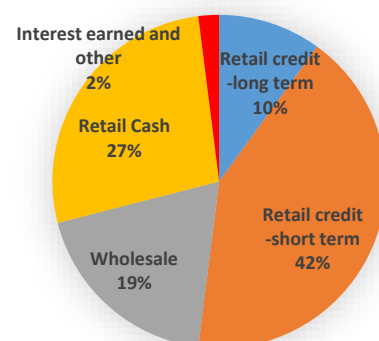
Product Portfolio



Revenue Contribution (2018)



Revenue Contribution (2018)



## Capacity & Historical Utilization

Units	2016		2017		2018
	Capacity	Utilization	Capacity	Utilization	Capacity
Panel TV	80,000	112%	100,000	97%	400,000
CRT TV	20,000	89%			
Refrigerator*			120,000	73%	250,000
Air Conditioner	20,000	99%	24,000	98%	60,000
Furniture	5,300	94%	5,300	96%	4% of revenue

\*CRT TV Unit is not in Operation since 2017; Capacity Utilization data as on December 2018 is not available yet.

\* refrigerators are produced by Singer's subsidiary IAL



## Singer Bangladesh Ltd.'s key strength lies in its widest distribution network across the country

Singer Bangladesh Ltd. has the largest retail distribution network in Bangladesh. The retail stores contributes 80%, whilst the wholesale dealers generate 20% of total revenue (for 12 months ended 31 December 2018).

**Singer Plus:** This is the main retail format with the store size of 159 square meter on an average. There are currently more than 361 Singer Plus operating in the country as on December 2018.

**Singer Mega:** Average store size is 291 square meter. Singer mega targets affluent class people with larger flagship store format. There are currently more than 24 Singer Mega operating in the country as on December 2018.

**Signer Pro:** Wholesale dealers are named as Singer Pro. Their store size is 100 square meter on an average. There are more than 721 Singer Pro operating in the country as on December 2018.

## Investment Insight:

### Attractive earnings growth driven by continued capacity enhancement

SBL enjoyed robust earnings growth over the years. Last 5 years CAGR in revenue, EBITDA and net profit were 15.7%, 21.4% and 19.2% respectively. Expanding middle and affluent class (MAC) and young population and increased purchase power, increasing per capita income, improved access to electricity, and urbanization driving the demand for consumer durables in Bangladesh. SBL's timely product penetration as well as efficient distribution channel, consumer credit facility (hire purchase), over 100 years of operation experience etc. has been significantly contributing to the robust business growth of the company. SBL has a strong presence in the market to capitalize the favorable industry dynamics. So, the double digit earnings growth expected to prevail in the coming years too. Besides, as per the investor presentation of the company, of the products sold during the 12 months ended 31 December 2018, 50% were manufactured or assembled in house to save duties and transport costs. This is likely to exceed 60% in 2019 as per the company estimate. So, profit margin is expected to improve further.

### Expanding production capacity will gear up the growth potential further

SBL has been continuously expanding its production capacities. Capacity of panel TV increased to 400,000 pcs per year in 2018 from 100,000 pcs per year<sup>8</sup>. Besides, production capacity of Air Conditioner also increased to 60,000 pcs per year in 2018 from 24,000 pcs per year a year ago. Meanwhile, Singer's wholly owned subsidiary IAL has also increased its production capacity of refrigerator from 120,000 unit to 250,000 unit per year in 2018. These significant capacity enhancements along with the company's continuous drive to extend its market presence will accelerate earnings growth of the company further. SBL has also introduced energy efficient and environment friendly refrigerators with R600a gas which is attracting more customers.

### Acquisition of IAL's minority stake will further drive the growth

SBL has acquired remaining minority stake in IAL in early 2019, where it previously held 83.8% stake. Hence, SBL will absorb greater impact in terms of margin and profitability from IAL since IAL has started posting profit after the commencement of production.

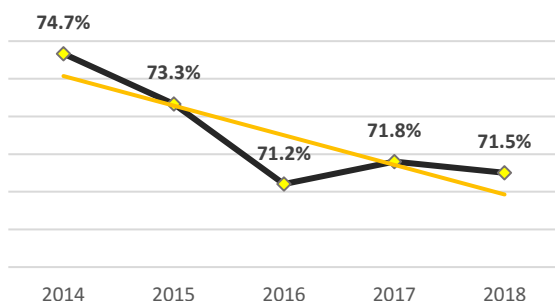
### Controlled production & operating cost resulting into steady improvement in the profit margins of the company

Singer Bangladesh is been successfully managing its production cost with production efficiency and retail price adjustment over the year. To minimize duties and transport costs, it has been continually increasing its sales from in-house manufacturing and assembling facility. Besides, the company has been actively focusing on effectively controlling its operating cost, which is clearly reflected its past few years financial results. Core improvement in operating performance coming from employee benefit expenditures, depreciation & amortization, product guarantee costs, travel and vehicle costs, bad debts and other sundry expenses etc. We expect that such improvement in cost management will continue in the coming years too.

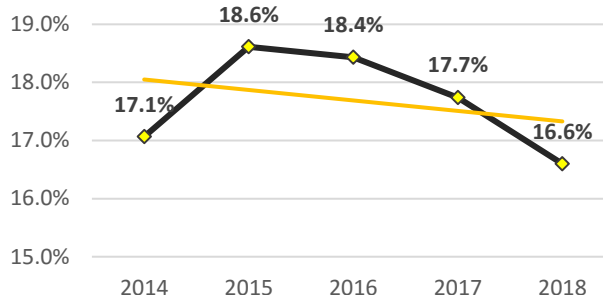
<sup>8</sup> [https://singerbd.com/pub/media/wysiwyg/investor\\_presentation\\_dec\\_2018.pdf](https://singerbd.com/pub/media/wysiwyg/investor_presentation_dec_2018.pdf)

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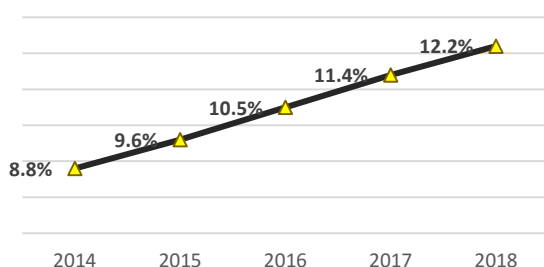
Production cost to Sales Ratio



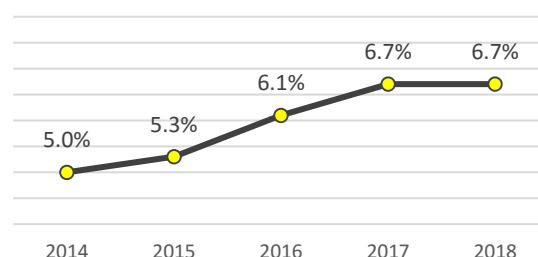
OPEX to Sales Ratio



EBITDA Margin



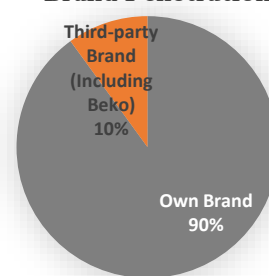
Net Profit Margin



### Distribution of Arçelik's own branded products will increase product offering

Currently, 90% of the sales of SBL comes from the sale of its own brand (Singer) and rest 10% comes from the sales of imported brands including Beko, Samsung, hp, Skyworth, Dell, Preethi, Galanz and Prestige. After completion of the acquisition of Singer shares by Arçelik, it will distribute its other global brands through Singers exiting distribution channel. Arçelik presently has 12 brands in their global portfolio, which are Arçelik, Beko, Grundig, Blomberg, ElektraBregenz, Arctic, Leisure, Flavel, Defy, Dawlance, Voltas Beko and Altus. With increased brand and product penetration, Singer's earnings and market position in Bangladesh is also expected to expand further.

Brand Penetration



### Business of Singer Bangladesh is highly sensitive to Seasonality and Political Instability

The company is highly exposed to seasonality. Revenue of the company increases significantly during the Q2 and Q3 period while remain shaky in other two quarters. Refrigerator sales peaks up ahead of the Eid-ul-Azha festivals while TV sales accelerates during the World Cup football/ cricket tournament seasons. However, political turmoil and civil unrest affects the business of the company greatly. In the year 2013 and 2015, the company experienced de-growth of sales about -1.35% and -5.38% respectively. Future political instability may hamper revenue growth of the company. The prevailing stable scenario in the country's political front and absence of any long-lasting chaos have been helping the company to enjoy steady business growth.

### The industry heating up with intense competition

A number of manufacturers and importers including Walton, Vision, Jamuna etc. along with some other distributors of global brands like Sharp, Sony, Rangs, Samsung, Gree, haier, Hitachi etc. have been aggressively penetrating consumer durables and home appliance products in Bangladesh market. Besides, active presence of some low-prices imported Chinese goods are also adding competitive pressure in the industry. Though industry penetration of such goods are still insignificant, e.g. 20% penetration rate for refrigerator in Bangladesh, reflecting untapped market opportunities are there, maintaining steady market share will remain a major challenge for the company.



**Appendix-1:**

	Before 30% Bonus Issue	After 30% Bonus Issue
SINGERBD Total Number of Shares Outstanding	76,694,491	99,702,838
<b>Total Sponsor Shares (57%)</b>	<b>43,707,183</b>	<b>56,819,338</b>
<i>Remittable Equity Portion (37%)</i>	28,373,941	36,886,123
<i>Non-Remittable Equity Portion (20%)</i>	15,333,242	19,933,214
Current Price (2 <sup>nd</sup> April 2019)		BDT 185.6
Price as on Announcement Date (24 March 2019)	BDT 268.9	BDT 206.8
6 Months average market price (before announcement)	BDT 230.4	BDT 177.2
<b>Arçelik's acquisition deal size (for sponsor shares)</b>	<b>USD 75 million</b> <b>BDT 6,320 million</b>	<b>USD 75 million</b> <b>BDT 6,320 million</b>
Arçelik's acquisition cost per share (at 57% stake)	BDT 144.6	BDT 111.2
Arçelik's acquisition cost per share (excluding 20% non-remittable shares)	BDT 222.0	BDT 170.8
Current Market Cap		BDT 18,505 mn
Market Cap as on Announcement Date (BDT mn)		BDT 20,623 mn
Market Cap (6 Months average, before announcement)		BDT 17,667 mn
57% of Current Market Cap		BDT 10,546 mn
57% of Market Cap on announcement day		BDT 11,753 mn
57% of 6 months' avg. Market Cap before announcement		BDT 10,068 mn
37% of Current Market Cap		BDT 6,845 mn
37% of Market Cap on announcement day		BDT 7,628 mn
37% of 6 months' avg. Market Cap before announcement		BDT 6,535 mn
<b>Deviation of acquisition deal price from Market Value (Deal happened at a discount from market price)</b>		
At 57% of Current Market Cap		-40.1%
At 57% of Market Cap on announcement day		-46.2%
At 57% of 6 months' avg. Market Cap before announcement		-37.2%
At 37% of Current Market Cap		-7.7%
At 37% of Market Cap on announcement day		-17.1%
At 37% of 6 months' avg. Market Cap before announcement		-3.3%

**Note:** 20% of the total shares outstanding of the company are restricted as to the remittance of dividends and proceeds from sale of these shares. So, effective ownership of Retail Holdings Bhold B.V. at SINGERBD is actually 36.99%, hence the deal happened at a discount of 3.3% from six month's average market price of SINGERBD; Assumed exchange rate BDT 84.25 per USD.

**Appendix-2:**

**Singer Bangladesh Ltd.**  
**Statement of Consolidated Income**

	2015	2016	2016	2017	2018 (9M, A)*
<b>Net Turnover</b>	<b>7,261,758,870</b>	<b>6,910,736,918</b>	<b>9,007,469,210</b>	<b>11,059,139,327</b>	<b>15,436,052,401</b>
Cost of Goods Sold	5,422,091,405	5,067,717,595	6,413,780,897	7,940,639,289	11,280,026,620
<b>GROSS PROFIT</b>	<b>1,839,667,465</b>	<b>1,843,019,323</b>	<b>2,593,688,313</b>	<b>3,118,500,038</b>	<b>4,156,025,781</b>
Other Operating Income		65,682,651	1,536,354	28,797,286	150,521,746.7
<b>Total Operating Income</b>	<b>1,839,667,465</b>	<b>1,908,701,974</b>	<b>2,595,224,667</b>	<b>3,147,297,324</b>	<b>4,306,547,528</b>
<b>Operating Expenses:</b>	<b>1,239,230,614</b>	<b>1,286,312,149</b>	<b>1,660,079,486</b>	<b>1,961,971,433</b>	<b>2,415,235,065</b>
<b>PROFIT FROM OPERATIONS</b>	<b>600,436,851</b>	<b>622,389,825</b>	<b>935,145,181</b>	<b>1,185,325,891</b>	<b>1,891,312,463</b>
Financial Expenses	111,640,775	66,151,118	97,298,322	158,195,568	334,322,911
Interest Income	40,862,448	1,902,163	9,840,369	563,183	79,746,579
Other Non-Operating Expenses	1,968,050				
Gain (Loss) on Equity	-	-13,916,492	-27,081,070	56,387,751	
<b>PROFIT BEFORE WPPF</b>	<b>527,690,474</b>	<b>544,224,378</b>	<b>820,606,158</b>	<b>1,084,081,257</b>	<b>1,636,736,131</b>
Allocation for WPPF	26,384,524	27,211,220	41,030,308	56,958,437	79,517,155
<b>PROFIT BEFORE TAX</b>	<b>501,305,950</b>	<b>517,013,158</b>	<b>779,575,850</b>	<b>1,027,122,820</b>	<b>1,557,218,976</b>
Income Tax Expenses	138,962,647	148,429,201	233,253,651	280,975,762	436,518,383
<b>PROFIT AFTER TAX FOR THE YEAR</b>	<b>362,343,303</b>	<b>368,583,957</b>	<b>546,322,199</b>	<b>746,147,058</b>	<b>1,120,700,593</b>
Non-Controlling Interest				-4,682,859	7,175,272
<b>Profit Attributable to SBL Shareholders</b>	<b>362,343,303</b>	<b>368,583,957</b>	<b>546,322,199</b>	<b>750,829,917</b>	<b>1,113,525,321</b>

\*Note: During the January to December 2018, Singer Bangladesh's actual revenue was BDT 13,701 million and net profit after tax was BDT 921 million as per investor's presentation by the company. Detailed Financials of 12 months data are not available yet.

**Latest Earnings Declaration:** The Board of Directors has recommended 30% stock dividend for the year ended on December 31, 2018. Date of AGM: 23.04.2019, Time: 10:30 AM, Venue: Singer factory: Rajfulbaria, Jhamur, Savar, Dhaka-1347. Record Date: 24.03.2019. The Company has also reported Consolidated EPS of Tk. 11.96, Consolidated NAV per share of Tk. 30.13 and Consolidated NOCFPS of Tk. (6.06) for the year ended on December 31, 2018 as against Tk. 9.79, Tk. 28.17 and Tk. 3.12 respectively for the same period of the previous year.

**Appendix-3:**

**Singer Bangladesh Ltd.**  
**Consolidated Statement of Financial Position**

	2014	2015	2016	2017	2018 (Sep.)
<b>Non-Current Assets:</b>	<b>1,128,290,895</b>	<b>1,269,307,411</b>	<b>1,610,705,191</b>	<b>1,770,972,719</b>	<b>1,792,540,214</b>
Property, Plant and Equipment	862,534,097	828,954,308	1,034,080,145	1,424,361,116	1,415,316,309
Intangible Assets, net	55,074,765	45,041,154	36,032,923	39,542,064	33,725,922
Investment - Long Term	15,199,450	183,882,558	288,278,188	4,199,450	4,199,450
Advance, Deposit & Prepayments	192,542,376	182,373,130	214,922,550	283,998,887	318,764,473
Deferred Tax Assets	2,940,207	29,056,261	37,391,385	18,871,202	20,534,060
<b>Current Assets:</b>	<b>2,692,865,239</b>	<b>2,383,601,789</b>	<b>4,089,413,802</b>	<b>5,300,612,072</b>	<b>7,750,838,787</b>
Inventories	1,522,208,959	1,127,463,294	2,159,740,405	2,968,387,371	3,263,123,571
Trade Debtors	880,603,714	1,042,142,492	1,538,442,838	1,856,060,667	4,021,637,229
Advances, Deposits and Prepayments	137,384,032	107,900,404	238,801,245	237,332,959	177,049,814
Advance Income Tax	-	2,210,492	-	35,896,460	139,537,262
Cash and Cash Equivalents	152,668,534	103,885,107	152,429,314	202,934,615	149,490,911
<b>TOTAL ASSETS</b>	<b>3,821,156,134</b>	<b>3,652,909,200</b>	<b>5,700,118,993</b>	<b>7,071,584,791</b>	<b>9,543,379,001</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES:</b>					
<b>Shareholders' Equity:</b>	<b>1,527,152,540</b>	<b>1,417,332,704</b>	<b>1,947,030,527</b>	<b>2,223,431,133</b>	<b>2,299,381,492</b>
Share Capital	613,555,930	766,944,910	766,944,910	766,944,910	766,944,910
General Reserve	395,362,253	421,897,695	585,380,060	577,857,676	573,225,477
Retained Earnings	518,234,357	228,490,099	594,705,557	815,464,263	890,665,367
Non-Controlling Interest	-	-	-	63,164,284	68,545,738
<b>Non-Current Liabilities:</b>	<b>1,341,333,455</b>	<b>1,412,513,853</b>	<b>1,444,915,010</b>	<b>1,474,393,261</b>	<b>1,734,508,852</b>
Long Term Loans - Secured	-	-	-	-	45,872,825
Liabilities for Gratuity and WPPF	120,160,000	129,507,000	109,618,000	3,618,300	2,064,311
Other Liabilities	1,221,173,455	1,283,006,853	1,335,297,010	1,470,774,961	1,686,571,716
<b>Current Liabilities:</b>	<b>952,670,139</b>	<b>823,062,643</b>	<b>2,308,173,456</b>	<b>3,373,760,397</b>	<b>5,509,488,657</b>
Short Term Bank Loans	218,425,520	18,768,986	1,157,720,304	1,587,039,816	3,468,461,454
Long Term Loans - Current Portion	-	-	-	278,308,039	-
Trade Creditors	732,617,153	804,293,657	1,130,878,507	1,508,412,542	1,962,224,093
Provision for Income Tax	1,627,466	-	19,574,645	-	78,803,110
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>3,821,156,134</b>	<b>3,652,909,200</b>	<b>5,700,118,993</b>	<b>7,071,584,791</b>	<b>9,543,379,001</b>

**Appendix-4:**

**Singer Bangladesh Ltd.**  
Key Financial Indicators

	2014	2015	2016	2017	2018 (9M, A)
<b>Liquidity Ratios:</b>					
Current Ratio	2.8	2.9	1.8	1.6	1.4
Quick Ratio	1.2	1.5	0.8	0.7	0.8
<b>Operating Efficiency Ratios</b>					
Inventory Turnover Ratio	4.8	6.1	4.2	3.7	4.7
Receivable Turnover Ratio	8.2	6.6	5.9	6	3.8
Average Collection Period (Days)	43.7	54.3	61.5	60.4	93.8
Inventory Conversion Period(Days)	75.5	58.7	86.3	96.6	76.1
Operating Cycle (Days)	119.1	113	147.8	157	169.9
A/C Payable Turnover Ratio	7.4	6.3	5.7	5.3	5.7
Payables Payment Period (Days)	48.6	57.1	63.5	68.4	62.6
Cash Conversion Cycle (Days)	70.5	55.9	84.3	88.7	107.3
Total Asset Turnover	190.0%	189.2%	158.0%	156.4%	161.7%
Fixed Asset Turnover	841.9%	833.7%	871.1%	776.4%	1090.6%
<b>Operating Profitability Ratios</b>					
Gross Profit Margin (GPM)	25.3%	26.7%	28.8%	28.2%	26.9%
Operating Profit Margin (OPM)	8.3%	9.0%	10.4%	10.7%	12.3%
Net Profit Margin (NPM)	5.0%	5.3%	6.1%	6.7%	7.3%
Return on Total Assets (ROA)	9.5%	10.1%	9.6%	10.6%	11.7%
Return on Equity (ROE)	23.7%	26.0%	28.1%	33.6%	48.7%
<b>Leverage &amp; Coverage Ratios</b>					
Total Debt to Equity	14.30%	1.30%	59.50%	83.90%	152.80%
Debt to Total Assets	5.70%	0.50%	20.30%	26.40%	36.80%
Times Interest Earned (TIE)	5.4	9.4	9.6	7.5	5.7
<b>Valuation Ratios</b>					
P/B (price to book) Ratio	8.8	9.8	7.6	6.9	8.2
NAVPS (Basic)	24.9	18.5	25.4	28.2	30.1*
EPS	4.7	4.8	7.1	9.8	12.0*
Dividend per Share	19.5	6.5	7	10	-
Dividend Payout Ratio	412.7%	135.3%	98.3%	102.1%	0.0%
Retention Rate	-312.7%	-35.3%	1.7%	-2.1%	100.0%
P/E Ratio	46.3	37.5	27	20	20.0
<b>Growth Rates</b>					
Sales Growth Rate		-4.8%	30.3%	22.8%	39.6%
Gross Profit Growth Rate		0.2%	40.7%	20.2%	33.3%
EBIT Growth Rate		3.7%	50.3%	26.8%	59.6%
Net Income Growth Rate		1.7%	48.2%	36.6%	50.2%
Total Asset Growth Rate		-4.4%	56.0%	24.1%	35.0%
<b>Extended DUPONT ANALYSIS</b>					
Net Profit/Pretax Profit	72.3%	71.3%	70.1%	72.6%	72.0%
Pretax Profit/EBIT	83.5%	83.1%	83.4%	86.7%	82.3%
EBIT/Sales	8.3%	9.0%	10.4%	10.7%	12.3%
Sales/Assets	190.0%	189.2%	158.0%	156.4%	161.7%
Assets/Equity	250.2%	257.7%	292.8%	318.0%	415.0%
ROE	23.7%	26.0%	28.1%	33.6%	48.7%

\* As per latest earnings declaration, prior to restatement of 30% bonus dividend for FY2018.

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