STANDARD & POOR'S

Unified Communications Hldgs

Bloomberg: UCOM SP | Reuters: UNIF.SI | Price: SGD0.04 | Date: April 30, 2011

GICS: Information Technology/Communications Equipment

Business Summary: Based in Malaysia and listed on the SGX Main Board since 2004, Unified Communications Holdings Limited (UCOM) provides customized software and technology solutions to mobile telecommunications network operators and service providers.

Country of Incorporation: Singapore

Head Office Location: 168 Jalan Bukit Merah, Connection 1 Tower 3, 04-08A, Singapore 150168

Place of Operations: South East Asia, Greater China, South Asia, the Middle East and Africa.

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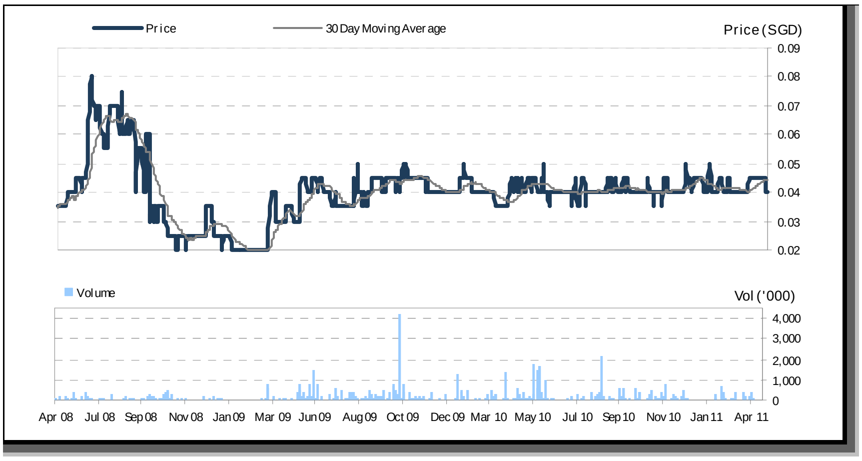
Analyst: Vincent Ng



Investment Highlights

- UCOM is a developer of software solutions for mobile telecom operators to optimize their networks, i.e. to generate maximum revenues and/or minimise expenses, without having to add investment in the network.
- **Effective transition to profits.** From 2004-2007, UCOM made losses as it: (i) pursued revenue-sharing projects (too aggressively) to broaden its revenue base, (ii) switched emphasis to Tier-1 telcos from the Tier-2 segment, and (iii) lost control of expenses as it expanded too quickly. However, after enduring the painful transition, 2010 marks the third consecutive year in the black for UCOM, and it is looking forward to being removed from the dreaded Watch List.
- **Decent growth opportunities but not without near term challenges.** The rapid growth in mobile data demand, in line with the proliferation of mobile internet devices, like smartphones and tablets, provides opportunities for UCOM to create solutions for mobile telcos, as Internet Protocol traffic grows. However, UCOM's strength has been in the short-messaging and voice segments, and it has limited 3G and mobile internet solutions. In addition, its Middle East & Africa business could suffer from ongoing turmoil there.
- **Decent profit growth.** While we anticipate a relatively challenging year in 2011 in terms of revenue for UCOM, the bottomline should see a decent 31.6% YoY rise mainly in the absence of a one-off impairment charge of SGD1.2 mln which dampened 2010 earnings.

Key Investment Risks

- UCOM lacks scale. Although UCOM has been operating since 1998, it remains small, revenue-wise, and lacks brand recognition, especially outside its core markets in South East Asia.
- Its small size makes it difficult to attract and retain the talent required to support the group's growth and development. Management has admitted that talent recruitment has been a challenge.
- UCOM could face pricing pressure as it expects equipment vendors to bundle in software packages together with their equipment sales to telcos. While a specialist like UCOM would likely be able to develop superior software, it may be difficult for telcos facing budget constraints to reject such offers.
- Some key markets in UCOM's home region are maturing, and this means UCOM would have work hard to defend its market position against intensifying competition.

Key Stock Statistics

52-week Share Price Range (SGD)		0.04 - 0.05
Avg Vol - 12 months ('000 shares)		207.2
Price Performance (%)	- 1 month	0.0
	- 3 month	-20.0
	- 12 month	0.0
No. of Outstanding Shares (mln)		319.6
Free Float (%)		35.7
Market Cap (SGD mln)		12.8
Enterprise Value (SGD mln)		-4.4
Major Shareholders (%)		
Advance Synergy Berhad		58.3
Wong Tze Leng		6.0

Per Share Data

FY Dec.	2009	2010	2011E	2012E
Book Value (SG cents)	8.15	8.87	9.62	10.51
Cash Flow (SG cents)	1.4	1.0	1.2	1.4
Reported Earnings (SG cents)	0.9	0.6	0.8	1.0
Dividend (SG cents)	0.0	0.1	0.1	0.1
Payout Ratio (%)	0.0	15.5	11.8	10.1
PER (x)	4.4	6.2	4.7	4.1
P/Cash Flow (x)	3.0	3.9	3.3	2.9
P/Book Value (x)	0.5	0.5	0.4	0.4
Dividend Yield (%)	0.0	2.5	2.5	2.5
ROE (%)	11.7	7.6	9.2	9.8
Net Gearing (%)	0.0	0.0	0.0	0.0

All required disclosures and analyst certification appear on the last two pages of this report. Additional information is available upon request.

Background

The group was founded in 1998 by current Executive Chairman Mr. Wong Tze Leng, with the incorporation of Unified Communications Sdn Bhd in Malaysia and Unified Communications Pte Ltd in Singapore. Their principal activities were the development of customised software solutions for the telecommunications industry, and the distribution of third-party hardware.

During that time, the industry landscape was changing, with the emergence of broadband and Voice over Internet Protocol (VoIP) technologies, and the entry of new players following the deregulation of the telecommunications industry in the ASEAN region.

The group's first project was the design and development of a customised automated conference call system for Telekom Malaysia, which allowed it to offer teleconferencing services to its fixed line customers. Another early project was the development of a 'click-to-talk' feature in a Singapore bank's web-based call centre, which enabled the bank's customers to speak to its customer service officers online via the Internet by clicking on an icon.

The group ventured beyond the ASEAN region in 2000, securing a sub-contract to supply an automatic call intercept system to the Saudi Telecommunications Company, and then going to Pakistan and tying up with NCR Corporation (world's leading maker of ATMs), for which the group has developed Interactive Voice Response systems. Today, the group has customers in Malaysia, Singapore, Indonesia, Philippines, Hong Kong, Pakistan, India, Bangladesh, Sri Lanka, the Middle East and Africa.

As at end-2010, the group, excluding associates, has 188 employees. The majority are in Malaysia, where UCOM's operational HQ is. UCOM also has offices in Singapore, Pakistan, Hong Kong and Thailand.

In 2002, the founder sold a significant stake in the group to Advance Synergy Bhd. (ASB MK, MYR0.24, Not Ranked), an investment holding company with interests in a variety of industries. As of March 2011, Advance Synergy has a 58% stake and Mr. Wong owns 6%.

Unified Communications (UCOM) was listed on SGX Main Board in 2004 following an initial public offering of 73.5 mln shares (38.0 mln new, 35.5 mln vendor) at a price of SGD0.28 each.

Board of Directors

Name	Title	Date of Appointment
Wong Tze Leng	Executive Chairman	2010
Anton Syazi Ahmad Sebi	Chief Executive Officer	2010
Lee Su Nie (Ms.)	Non-Independent, Non-Executive Director	2003
Chuah Seong Phaik	Independent Director	2003
Phuah Peng Hock	Independent Director	2003

Source: Company data

The board of directors is led by founder and Executive Chairman Mr. Wong Tze Leng, who took over chairmanship in August 2010 from Ms. Lee Su Nie, who had been Non-Executive Chairman since 2006. She remains a Non-Executive Director. She is also the Chief Executive Officer and Executive Director of Advance Synergy, the company's controlling shareholder. Mr. Wong had been Group CEO since December 2002.

Mr. Anton Syazi, who has been with the group since 2005, was formerly Deputy CEO before becoming CEO in August 2010 when Mr. Wong was promoted to Executive Chairman. He is also currently General Manager – Corporate Development of Advance Synergy, and the son of Dato' Ahmad Sebi Bakar – the Executive Chairman of Advance Synergy.

Board Independence

Two of the five directors on the board are independent, which is sufficient for a company of this size, in our opinion. The separation of the Chairman and CEO roles is a good arrangement, we believe, as it does not unduly concentrate power in the hands of one individual or compromise accountability. In addition, we note that the independent directors and non-executive director (Ms. Lee) comprise the Audit, Nomination and Remuneration Committees.

Key Management

Name	Title	Date of Appointment
Ho Ting Sai	Group Business Development Director	1999
Chin Wei Li (Ms.)	Group Financial Controller	2001
Ng Sai Kit	General Manager, Group Corporate Development & Executive Director of Mobilization Business	2011
Danson Phang	General Manager, Group Finance	2011
Yong Choon Vooi	General Manager, Group Service Delivery	2011
Bobby Tan	Senior Manager & Director of Operations, Managed Services Business	2007
Wong Kok Choy	Senior Manager, Software Development	2010
Loo Mun Chung	Senior Manager, Group Technical Implementation and Support	2008
Ann Wan Kuan	Chief Executive Officer of GlobeOSS Sdn Bhd	2006
Lim Peng Kwong	Operations Director of GlobeOSS Sdn Bhd	2007
Darren Cheah Foo Choong	General Manager of Mobilization Sdn Bhd	2010
Lee Yang Dong	Chief Executive Officer of Ahead Mobile Sdn Bhd	2004

Source: Company data

Key Subsidiaries & Associates

100%-owned Unified Communications Sdn Bhd in Malaysia provides R&D, software engineering, system integration, project management, and maintenance and support services. It implemented Malaysia's mobile number portability clearinghouse (MNPC) project and provides maintenance to MNPC, under a five-year contract which began in October 2008, when the MNPC was commissioned.

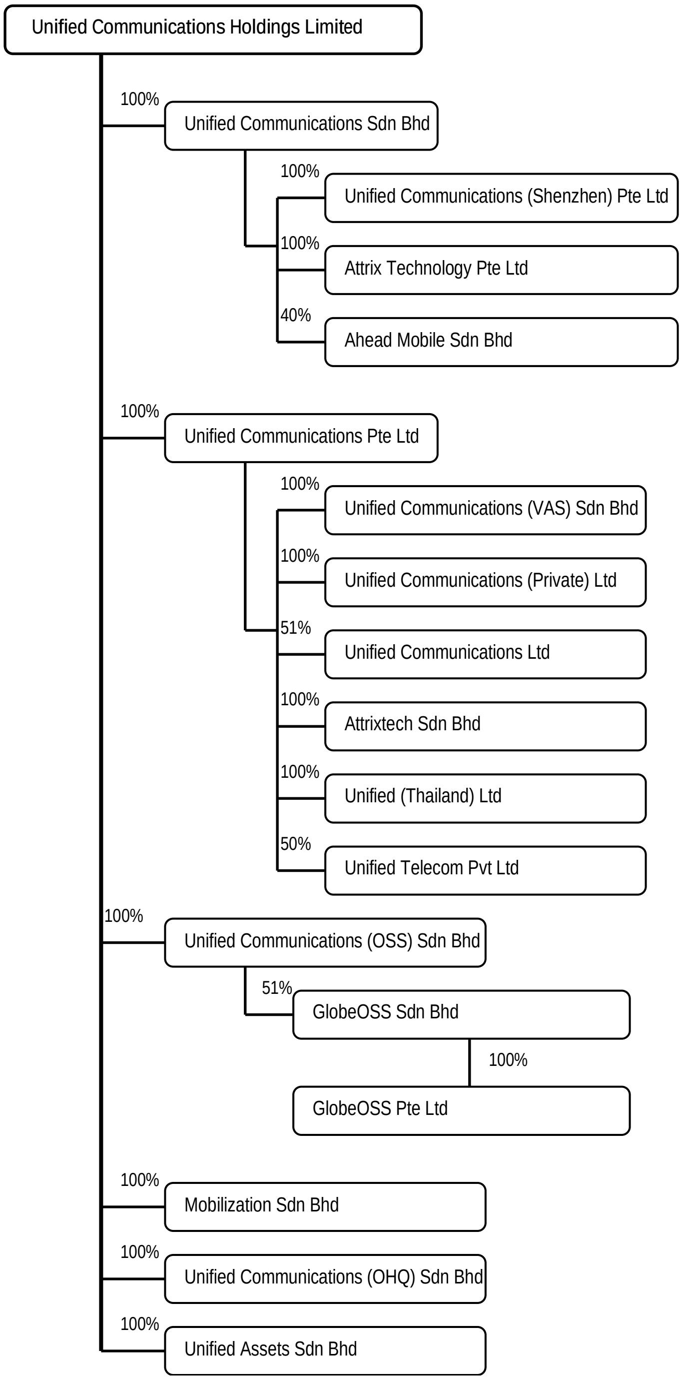
100%-owned Unified Communications Pte Ltd in Singapore designs and develops telecommunications solutions, provides project management and maintenance and support services.

100%-owned Mobilization Sdn Bhd in Malaysia is a newly established mobile media business unit that provides mobile content related value-added-services; and mobile marketing and advertising services to agencies and advertisers through a mobile advertising network.

51%-owned GlobeOSS Sdn Bhd designs and delivers Operations Support Systems (OSS), which are used by telcos to monitor the performance of telecom networks and manage faults. GlobeOSS also provides Network Operation Centre (NOC) and Help Desk services (i.e. basic support services) to the MNPC.

40%-owned Ahead Mobile Sdn Bhd provides location-based services. This service allows users to find the location of their friends via their mobile phones, or parents to track the location of their children, or enterprises to monitor the real time locations of employees and assign tasks accordingly.

Corporate Structure



Source: Company data

Business Segments / Key Revenue Streams

In a nutshell, UCOM is a software developer specialising in the mobile telecommunications sector. It develops customized software applications that run on third-party hardware (such as servers from HP, Sun or Dell) for mobile telecommunications network operators and service providers.

Performance Optimisation Solutions

The solutions that UCOM designs and builds generally serve one of two purposes for its mobile telco customers: (i) maximise subscriber revenue with minimal additional capital expenditure or (ii) minimise cost of subscriber service while maximising customer satisfaction.

Management likens the company to an automotive workshop that offers customized after-market equipment and tuning services that can boost the performance of your car.

Solutions for Key Business Areas

UCOM's range of solutions is designed to deliver performance optimisation in its customers' key business areas.

Customers can purchase the solutions outright or enter into a managed service/revenue-sharing contract with UCOM

UCOM's eight groups of solutions are listed below.

Voice Revenue Optimisation solutions – such as missed call notification, dynamic voicemail and collect-call service – help to maximise voice call completion rates, which in turn help to maximise voice call revenues.

Roaming Revenue Optimisation solutions – such as roamer greeting, roamer retainer, roaming call-back and roaming local number services – are aimed at maximising inbound and outbound roaming revenues for UCOM's customers.

Subscriber Service Access Optimisation solutions – e.g. SMS or interactive voice response menu-based self-care services – allow telcos to automate their basic high-frequency customer care requirements, such as prepaid balance enquiries or value-added service requests from millions of subscribers, while maintaining if not improving the speed of customer care service delivery and minimising the cost.

Subscriber Service Personalisation solutions – e.g. personalised ringback tone, background music, voice SMS and colour SMS services – are premium mobile value-added services that generate revenue for mobile telcos over and above basic voice calls and SMS.

Mobile Media Service Delivery solutions – e.g. premium content such as personality tests, horoscope, news updates, sound clips, location-based information – delivered to subscribers on a regular basis or on demand for a fee.

Mobile Marketing & Advertising solutions – e.g. targeted advertisements or marketing campaign messages delivered via voice, SMS or MMS – allow telcos to generate marketing and advertising revenue by leveraging on their large subscriber base.

Service Analytics & Service Lifecycle Management solutions – e.g. service profiler and analyser – that provide detailed and timely data on service quality and performance, to help telcos to make optimal decisions on infrastructure investment, fault diagnostics and resource allocation.

Service Assurance & Service Quality Management solutions – e.g. data warehousing – that allow telcos to carry out fine-tooth-comb data mining and analysis, to help them come up with new marketing strategies to extract maximum performance from each individual service.

Three Business Units

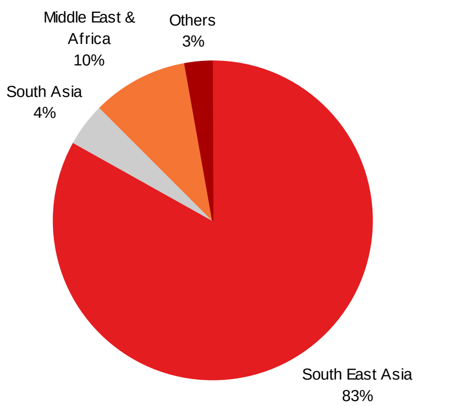
UCOM's businesses are currently organised into three business units:

- Mobile value-added-services business unit (VAS BU), which addresses content-driven mobile VAS solutions, systems and managed services;
- Mobile technology business unit (TECH BU), which addresses mobile messaging and signalling solutions, systems and managed services; and
- Operation support systems business unit (OSS BU), which addresses operation support system solutions (e.g. for service quality monitoring), systems and managed services.

Three Regions of Focus

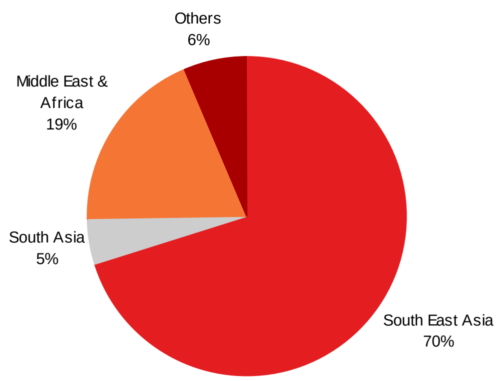
UCOM operates primarily in South East Asia, South Asia and Middle East & Africa, via a two-tier sales and distribution approach. The majority of customer engagements are done through various sales channel partners, with the exception of Malaysia, Singapore, Pakistan and Hong Kong, where UCOM deals directly with the customer. This allows UCOM to reach customers within each region of focus without incurring too much direct cost, and also to tap into the local knowledge and insights of its partners.

2010 Revenue Breakdown by Region



Source: Company data

2009 Revenue Breakdown by Region



Source: Company data

Industry Landscape

While UCOM is strictly a technology company, its revenues are driven by developments in the mobile communications industry, which in turn impact UCOM's clients' needs. As such, the following highlights the key trends in the mobile communications industry in Asia and UCOM's key opportunities and challenges.

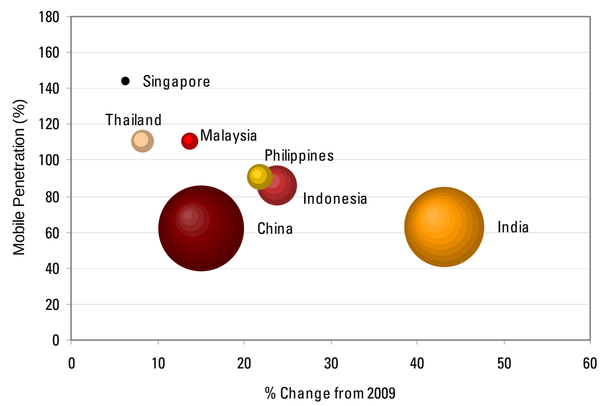
Mobile communications have flourished in the region, driven by the lower investments and faster deployment of wireless networks compared to fixed-line systems particularly in sparsely populated areas. Wireless penetration rates have outstripped fixed-line penetration in many Asian countries, with mobile subscriber base growing rapidly over the past decades. Much of the growth momentum was driven by fast-growing markets in India, China, and Indonesia. Topping the list of hyper-growth markets is India, with monthly net additions of 18.9 mln wireless users in 2010. Since April 2008, India's mobile boom has surpassed China in terms of subscriber additions. In spite of this, China remains the single largest wireless industry, with 859 mln users (14.2% more than India's 752 mln subscribers) as at end of 2010.

Mobile Subscriber Growth, 2009-2010

		----------- MOBILE SERVICES -----------			
		--- SUBSCRIBER BASE ---			PENE-
	POPULATION	------- (MIL.) -------			TRATION
COUNTRY	(MIL.)	2009	2010	% CHG.	%
China	1,328	747	859	15.0	64
India	1,190	525	752	43.2	63
Indonesia	240	167	206	23.8	86
Malaysia	29	30	34	13.8	111
Philippines	94	73	88	21.8	91
Singapore	5	7	7	6.3	144
Thailand	62	64	69	8.3	111

Source: Telecommunications regulatory authorities; company reports

Mobile Penetration and Growth rates, 2009-2010



Source: Telecommunications regulatory authorities; company reports

In spite of this, signs of subscriber slowdown are already evident in the region in recent years. Most mobile markets have entered into a saturated phase, with only a handful of countries such as China, India, and Indonesia still experiencing robust growth, mostly in rural areas. In Malaysia and Singapore, which are significant markets in UCOM's home region of South East Asia, mobile penetration has exceeded 100% in both countries.

Given the imminent threat of flagging voice revenues and slowing user growth, the future for telecommunications companies lies in quadruple play that enables the convergence of mobility, voice, data and video services. As a result, focus in recent years has shifted towards building larger pipes to deliver higher bandwidth data applications. The ability to offer high-speed broadband on-the-go over 3G/3.5G network presents opportunities for cellular operators to expand their turf into broadband services, which has long been dominated by fixed-line operators.

Smartphone revolution driving mobile applications and ARPU

Bundled with handset subsidies and affordable data plans, operators are increasingly adopting smartphones, in the hope of reversing declining ARPU trends and capturing revenue share. In saturated markets like Hong Kong, Singapore and Malaysia, the strategy has been panning out well with operators already seeing signs of stabilizing ARPU. Joining the smartphone fad are Android (from Google), Blackberry (Research in Motion, or RIM), Symbian (Nokia), and Windows Mobile (from Microsoft).

According to IDC, worldwide mobile handset shipments in 2010 were 302.6 mln, up 74.4% from the 173.5 million smartphones shipped in 2009. IDC expects the rapid growth momentum to continue in 2011, with more mid-range and low-end offerings at lower prices to reach the mass market. We believe the rapid adoption of smartphones will drive mobile applications and data usage among users.

Intensifying competition for UCOM

UCOM's stated top priority is to defend its market position in its home region of South East Asia, which is a challenging prospect given the market saturation mentioned above, and also the intensifying competition. The list of competitors is long across the various services that UCOM provides, e.g. numbering more than 20 in the messaging segment alone. Traditional competitors comprise various mobile messaging, signalling, roaming and value-added-services software companies from Korea, Hong Kong, India and Europe. In addition, UCOM management expects some network and switch equipment vendors to become more of a competitive threat in 2011.

Geopolitical issues in the Middle East also a challenge

In 2010, UCOM had suffered a drop in system-sale contracts in the Middle East & Africa, due mainly to a lagged impact from the global recession. 2011 may not bring relief due to the ongoing turmoil in the Gulf region.

Growing mobile broadband demand is positive for UCOM

The proliferation of mobile internet devices such as smartphones and tablets has driven demand for mobile data across most of South East Asia, and this has benefited UCOM's OSS BU. Telcos now require solutions to manage Internet-Protocol traffic that was formerly relevant only to fixed-line internet service providers.

While UCOM has exposure to the rapid growth in mobile internet demand via back-end solutions, it has limited 3G solutions that have a more direct correlation to the surging demand from the end subscriber.

Growth Strategy

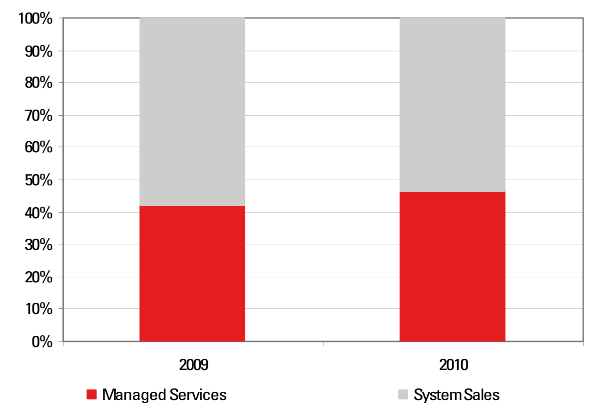
Defend Existing Businesses

In the face of rising competition for its VAS BU and TECH BU, UCOM realises that it must defend its existing market share, especially in its home region of South East Asia. To achieve this, the group plans to: (i) enhance the features and capabilities of its software products and (ii) raise the quality and capacity of its software development and service delivery. Management believes that the group has already made progress during 2010 in this regard. For the OSS BU, the focus will be on exploiting new opportunities, e.g. in the rapidly growing demand for mobile data.

Grow Recurring Revenues

Management wants to increase its recurring revenues and reduce dependence on lumpy system sales. It believes the best way to secure sustained revenue and profit growth for the group is through managed service contracts – i.e. leasing the system to the customer or charging a percentage of sales or savings generated, instead of selling the system outright. This places more risk and financial burden on UCOM, but the potential rewards are higher and more sustainable. Management is seeing more customers preferring to procure technology solutions in this manner.

2010 Revenue Breakdown by Region



Source: Company data

Acquisition

Emboldened by a cash balance of SGD15.0 mln and zero debt as end-2009, UCOM looked to make a strategic acquisition during 2010, but was unable to find a suitable investment. As a cash management strategy, it eventually bought a rental-yielding shop-office in Plaza Sentral, Kuala Lumpur, for MYR7.7 mln (SGD3.3 mln), to get a higher yield vs. the prevailing low bank deposit rates. The purchase was completed in January 2011 and is expected to generate a net yield of about 4.8%. Management believes that the property may be used to raise financing that may be required should a future acquisition or strategic investment opportunity arise. With end-2010 cash balance of SGD17.2 mln, UCOM still has SGD13.9 mln in the bank after buying the property, and plans to continue looking for complementary businesses to acquire or invest in. In the company's 2010 annual report, it has mentioned mobile media and content marketing services as potential areas of interest.

SWOT Analysis

Strengths

- Long track record and experience in its home region
- Small and nimble – able to innovate quickly

Weaknesses

- Low brand recognition outside of core markets
- Less ability to attract talent, especially from larger players. Management has mentioned of difficulties in recruiting the talent UCOM requires to support its growth and development.
- Limited 3G and mobile internet related solutions

Opportunities

- New markets – e.g. Africa, Middle-East
- Emerging growth of 3G networks, and rising demand for mobile data services

Threats

- Possible price war as equipment vendors bundle in software packages
- Maturation of core markets

Recent Key Developments

Apr. 29, 2011: The group announced that an application for the removal from the Watch List has been submitted to the Exchange for review. In March 2008, UCOM was included on the Watch List pursuant to Listing Rule 1311. Based on the audited financial statements of the Group for the year ended Dec. 31, 2010, the cumulative pre-tax profit of the Group for the three financial years ended Dec. 31, 2010 is SGD8.8 mln, exceeding the minimum required cumulative pre-tax profit of SGD7.5 mln under Listing Rule 210(2)(a). (Source: Company Announcement)

Feb. 24, 2011: UCOM reported consolidated earnings results for the full year ended Dec. 31, 2010. For the period, the company has reported revenue of SGD18.2 mln compared to SGD19.0 mln for the same period a year ago. Profit before income tax was SGD2.8 mln compared to SGD3.3 mln for the same period a year ago. Profit attributable to owners of the company was SGD2.1 mln compared to SGD2.9 mln for the same period a year ago. Net cash generated from operating activities was SGD4.1 mln compared to SGD7.9 mln for the same period a year ago. Purchase of plant and equipment was SGD1.3 mln compared to SGD2.9 mln for the same period a year ago. (Source: Capital IQ, Singapore Exchange)

Jan. 12, 2011: UCOM's proposed purchase of a shop-office in Plaza Sentral, Kuala Lumpur, was completed. According to a prior announcement, the MYR7.7 mln building should generate around SGD0.16 mln in annual after-tax rental income for the group. (Source: Company Announcement)

Management Guidance

Management notes, in its recently released 2010 annual report, that competition are likely to remain intense in the near term. This has placed pressure on the group to continuously innovate its products and services in order to sustain its market share, particularly in its more mature South East Asia markets. While management does see opportunity in the Middle East, the unrest may defer some implementation and spending plans. As such the focus will be on ensuring new contracts in Asia pan out to help offset the potential drag from the Middle East. Steady demand for operating support services should help provide buffer. More intensive efforts are also being placed on potential acquisitions, in part to jump-start new mobile media and market content marketing services, which are natural additions to its value added services (VAS) activities.

Earnings Outlook

While we anticipate a relatively challenging year in 2011 in terms of revenue for UCOM, the bottomline should see a decent 31.6% YoY rise mainly in the absence of a one-off impairment charge of SGD1.2 mln which dampened 2010 earnings.

In the aftermath of the violence in the Middle East we anticipate further project delays and dampened investment spending in the region that could curtail revenue growth and pipeline for UCOM. We note that 2010 revenue was mixed, revealing sensitivity to a drop in Middle East contributions as the recession hit hard, although this was partly offset by a recovery in ASEAN sales.

As such, we factor in flat proprietary solutions revenue with an anticipated 15% YoY growth in mobile technology sales offset by a 20% drop in mobile VAS revenue. We expect an improving outlook in 2H11. However, the impact of firm oil & gas prices and rising global demand is likely to encourage renewed spending for its clients in resource-based countries. Hence, there may be potential upside to our estimates. We have not factored in any potential new contributions from possible acquisitions.

For the operating support services (OSS), we see the growth trend sustained at around 10% YoY in 2011 and 2012 with growing ASEAN mobile internet client activities.

The other key challenge will be in sustaining margins. Most companies have benefited from benign cost pressures in 2009 and 2010 and UCOM is no exception with gross profit margin expanding to 48.9% and 51.2%, respectively, from 47.0% in 2008. However, wage cost pressure should begin to permeate into 2011 income. We see margins sliding to 50.0% in 2011 and 49% in 2012 although improved operating efficiency on an up-tick in revenue growth may provide some buffer.

While we suspect the rising costs will also keep technical support, distribution and administrative expenses elevated, the absence of the one-off impairment charge should raise operating profit margin to 10.9% in 2011 from 6.8% in 2010 and further to 11.8% in 2012. We are more optimistic on 2012 profitability as we expect client spending to improve and a recovery in Middle East related revenue to help boost efficiencies. The company will get some added rental income of SGD0.16 mln starting 2011 from its recent shop-office purchase that also adds to profitability.

Peer Comparison

	UCOM	Tanla	OnMobile
Share Price @ Apr 29, 2011	SGD0.04	INR16.60	INR279.55
Mkt. Cap (SGD mln)	12.8	46.7	455.9
PER Historical (x)	6.2	6.0	38.0
PER Current Year (x)	4.7	2.4	20.6
P/NTA Historical (x)	0.5	0.2	5.7
Latest FY (SGD mln)			
Revenue	18.2	110.2	136.7
Pre-Tax Profit, as reported	2.8	8.2	19.0
Net Profit, as reported	2.1	8.4	12.9
Pre-Tax Profit Margin (%)	15.4	7.4	13.9
Net Profit Margin (%)	11.3	7.6	9.4

Source: Bloomberg, Company Data

Tanla Solutions (TANS IN, INR16.60, Not Ranked) and OnMobile Global (ONMB IN, INR279.55, Not Ranked) are both based in India and compete with UCOM in various segments, including the provision of message and voice software solutions for mobile telcos. There are other listed companies to choose from, but we selected these two as the others we considered were loss-making.

Between the two, Tanla is closer to UCOM in terms of size and valuations, but it has far narrower margins. OnMobile's margins are closer to UCOM's, but the former is much larger in terms of revenue, profit, market cap and valuations – exactly what UCOM is aspiring to.

Profit & Loss

FY Dec. / SGD mln	2009	2010	2011E	2012E
Reported Revenue	19.0	18.2	19.0	21.1
Reported Operating Profit	2.1	1.2	2.1	2.5
Depreciation & Amortization	-1.4	-1.2	-1.2	-1.2
Net Interest Income / (Expense)	0.2	0.4	0.3	0.4
Reported Pre-tax Profit	3.3	2.8	3.7	4.3
Effective Tax Rate (%)	1.6	11.7	12.0	12.0
Reported Net Profit	2.9	2.1	2.7	3.2
Reported Operating Margin (%)	10.9	6.8	10.9	11.8
Reported Pre-tax Margin (%)	17.3	15.4	19.4	20.3
Reported Net Margin (%)	15.3	11.3	14.3	14.9

Source: Company data, S&P Equity Research

Balance Sheet

FY Dec. / SGD mln	2009	2010
Total Assets	34.8	35.7
Fixed Assets	3.9	3.8
Current Assets	24.5	24.4
Other LT Assets	6.4	7.5
Current Liabilities	8.1	6.3
LT Liabilities	0.1	0.0
Share Capital	31.9	31.9
Shareholders' Funds	26.0	28.3

Source: Company data, S&P Equity Research

Cash Flow

FY Dec. / SGD mln	2009	2010	2011E	2012E
Operating Cash Flow	7.9	4.1	6.1	6.6
Investing Cash Flow	-2.2	-2.1	-5.3	-2.0
Financing Cash Flow	-0.6	0.2	0.0	0.0
Net Cash Flow	5.1	2.2	0.8	4.5
Ending Cash	15.0	17.2	18.0	22.6
Capex	-2.9	0.0	-4.5	-1.3

Source: Company data, S&P Equity Research

Material Disclosures Including Interested Party Transactions

Related party transactions amounted to SGD384,000 in 2010 – of which SGD302,000 was rental and maintenance fees charged by a company related to UCOM's majority shareholder.

New Issues & Placements

UCOM has not made any new issues or placements since its IPO in 2004.

Dividend Policy

While no dividend policy is specified, the company paid an inaugural dividend of SG0.1 cent per share in 2010.

Auditors' History

Since 2005, the company's auditor is BDO LLP. At the time of its listing, the auditor was PricewaterhouseCoopers LLP.

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