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Headline : 3 Things Investors Should Know About Advancer Global Ltd's 2017 Earnings

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The Motley Fool

Advancer Global Ltd (SGX: 43Q), which was listed in July 2016, is a workforce solutions and services provider in Singapore with three business divisions – employment services, facilities management services and security services.

Early last month, the company announced its financial results for the full year ended 31 December 2017. Let's look at three main aspects of the announcement here.

Show me the money

Revenue for 2017 grew 28.2% year-on-year to S$65.3 million, with all three business divisions performing well for the year. The higher revenue was mainly due to increased placements of foreign domestic workers to households in Singapore, full-year contributions of subsidiaries acquired in the second half of 2016, and higher aggregate service fees charged for on-going security services projects.

Advancer Global's customer retention rates for the facilities management business and the security services business were high in 2017 at 87.2% and 93.9% respectively.

With the growth in revenue, gross profit improved 39.1% to S$18.9 million. Since gross profit grew at a faster clip than revenue, gross margin improved 2.3 percentage points for the year, from 26.6% in 2016 to 28.9% in 2017.

The following gives a summary of the growth in revenue, gross profit and gross margin in 2017 as compared to 2016 for the different business segments:

Business segment review

FYE 31 Dec (S$'000)	Revenue		YoY	Gross Profit		YoY	Gross Margin	
	FY2017	FY2016	*Change*	FY2017	FY2016	*Change*	FY2017	FY2016
Employment Services	13,151	12,627	*4.1%*	6,139	5,523	*11.2%*	46.7%	43.7%
Building Management	37,135	24,753	*50.0%*	9,597	6,042	*58.8%*	25.8%	24.4%
Security Services	14,974	13,529	*10.7%*	3,121	1,990	*56.8%*	20.8%	14.7%
Total	**65,260**	**50,909**	***28.2%***	**18,857**	**13,555**	***39.1%***	**28.9%**	**26.6%**

Meanwhile, net profit attributable to shareholders climbed 14.2% to S$3.1 million, and earnings per share went up from 1.54 Singapore cents in 2016 to 1.69 Singapore cents in 2017. Net profit margin fell from 5.3% in 2016 to 4.7% in the latest year, due primarily to lower other operating income and higher administrative expenses.

As of 31 December 2017, Advancer Global had S$8.0 million in cash and cash equivalents, and total debt of S$1.9 million. This translates to a net cash position of S$6.1 million. In comparison, at the end of 2016, it had a higher net cash position of S$6.9 million.

Return on equity in 2017 stood at 14.1%, a fall from 2016's 17.0%.

As for cash flow from operations, it tumbled 32.7% year-on-year to S$2.9 million. With a capital expenditure of S$0.9 million in 2017, free cash flow came in at S$2.0 million. This is down from 2016's free cash flow of S$3.8 million.

Ka-ching!

The board has proposed a final dividend of 0.34 Singapore cent per share. Together with the interim dividend of 0.49 cent already paid out, the total dividend for 2017 would be 0.83 cent per share. This represents a payout ratio of 49.1%.

In comparison, for 2016, the total dividend was 0.78 cent per share (an interim dividend of 0.35 cent and a final dividend of 0.43 cent).

What the future holds?

Looking ahead, Advancer Global's chief executive and executive director, Gary Chin, said:

"In response to the government's effort in building Singapore into a Smart Nation, we will continue to innovate our labour-intensive facilities management services through technology, and further enhance our existing man-machine method to overcome the challenges of labour shortages and rising wages."

He added that he expects costs for "labour-intensive services to rise rapidly in the coming years" due to new regulations, such as higher wages and capped overtime hours for security officers. Therefore, his company would continue to tap into technology and optimise the range of facilities management services to provide effective and cost-efficient solutions for its customers.