

Analyse This...

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Thakral Corp. Ltd.

Yet another weak quarter

 THK SP
 NEUTRAL; TP: S\$0.027
 1Q13 Results Note

 Price @21/05/13: S\$0.032
 52-week range (S\$): 0.026 – 0.045
 Market cap: S\$83.8m

1Q13 in-line; CE distribution continues to lag.

- 1Q13 earnings were in the red again, with losses of S\$0.2m forming 7.7% of our full-year loss forecast.
- 1Q13 sales was up 27% yoy, with a corresponding decrease in distribution (-8% yoy) and administrative costs (-16% yoy). However, the increase in revenue was primarily driven by the introduction of high turnover but low margin products. 1Q13 gross margins slipped to 6.1% from 9.2% in 1Q12.
- Distribution and administration expenses fell due to reduced bonus accruals and staff headcount. Thakral has witnessed an extended slowdown in the group's business in the PRC market.
- Finance costs increased to S\$1.2m (from S\$0.5m in 1Q12), due to plans to finance the GLNG phases 1 and 2 housing projects in Australia. Net gearing ratio as at 1Q13 is 0.48x compared to 0.37x in 4Q12.

Geographical outlook:

- PRC (including HK) formed 93% of Thakral's 1Q13 revenue.
- In a Jan 2013 report, Moody's has maintained a negative outlook for the Asian consumer electronics industry because of weak demand and structural challenges. Moody's expects adjusted operating margins for rated issuers to stay below 3%, and sales growth in China to slow significantly in 2H13 to 3-7% (compared to 10-15% previously) due to lower GDP growth.
- As a distributor, Thakral has less bargaining power and faces a challenging landscape with 1Q13 operating margins at 0.2% (-1.12 pts yoy).

Segmental outlook:

- Distribution formed 97% of 1Q13 revenue. This segment grew 26% yoy but tightening margins led to a loss of S\$0.5m (versus profit of S\$2.1m in 1Q12).
- The investment division accounted for 3% of 1Q13 revenue. This segment grew 130% yoy due to higher contribution from the unit in Australia. Profit increased to S\$1.5m from S\$0.1m in 1Q12.
- The group's real estate investment division looks promising with its GLNG project progressing on time and within budget, but this is still only a small portion of group revenue and Thakral's primary CE distribution business is slowing and dragging down the overall bottomline.

Upgrade to NEUTRAL

- At 7.7% of our FY13 forecast, 1Q13 net loss remains in line with our expectation as we assume that 2H13 will see a further reduction in margins. Our EPS estimates and target price (still at 0.66x CY13 P/B, 0.5 s.d. below its 5-yr average) are unchanged. Upgrade to Neutral with de-rating catalysts to come from weak results.

1Q13 results at a glance

	1Q13	1Q12	yoy chg (%)
Sales (\$m)	88.9	70.0	27.1
Operating profit (\$m)	0.2	0.9	-82.7
Net profit (\$m)	-0.2	1.5	nm
EPS (S cts)	-0.01	0.06	nm
			yoy chg (% pts)
Gross profit margin (%)	6.1	9.2	-3.17
Operating profit margin (%)	0.2	1.3	-1.12
Net profit margin (%)	-0.2	2.1	-2.34
	1Q13	4Q12	
Net gearing (%)	48.0	37.0	
BVPS (Scts)	4.2	4.2	
Current ratio (x)	1.71	1.65	

Source: Company, CIMB

Financial summary

FYE Dec	2011	2012	2013F	2014F	2015F
Revenue (SGD m)	363.7	309.3	344.4	381.7	418.0
EBITDA (SGD m)	13.1	-1.3	2.0	4.9	3.6
EBITDA margins (%)	3.6	-0.4	0.6	1.3	0.9
Pretax profit (SGD m)	12.1	17.3	-2.9	-0.1	-1.6
Net profit (SGD m)	8.3	16.3	-2.6	-0.1	-1.4
EPS (SGD cts)	0.3	0.6	-0.1	0.0	-0.1
EPS growth (%)	-78.0	97.0	-116.0	-96.4	1414.5
P/E (x)	12.0	6.1	nm	nm	nm
Core EPS (SGD cts)	0.3	-0.2	-0.1	0.0	-0.1
Core EPS growth (%)	73.4	-163.6	-44.7	-83.9	287.4
Core P/E (x)	11.8	nm	nm	nm	nm
FD EPS (SGD cts)	0.3	0.6	-0.1	0.0	-0.1
FD P/E (x)	12.1	6.1	nm	nm	nm
Gross DPS (SGD cts)	0.2	0.2	0.0	0.0	0.0
Dividend yield (%)	5.3	5.3	0.0	0.0	0.0
P/NTA (x)	0.8	0.9	0.9	0.9	0.9
NTA/sh (SGD cts)	4.5	4.3	4.1	4.1	4.1
BVPS (SGD cts)	4.5	4.3	4.1	4.1	4.1
ROE (%)	7.8	14.8	-2.5	-0.1	-1.4
Net gearing (%)	Net Cash	37.0	46.0	52.9	62.1
P/CF (x)	11.4	5.9	-46.2	271.8	-102.5
EV/EBITDA (x)	7.4	nm	48.9	19.6	27.0

Source: Company, CIMB

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