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Thakral Corp. Ltd.

Revaluation gain masks another weak quarter

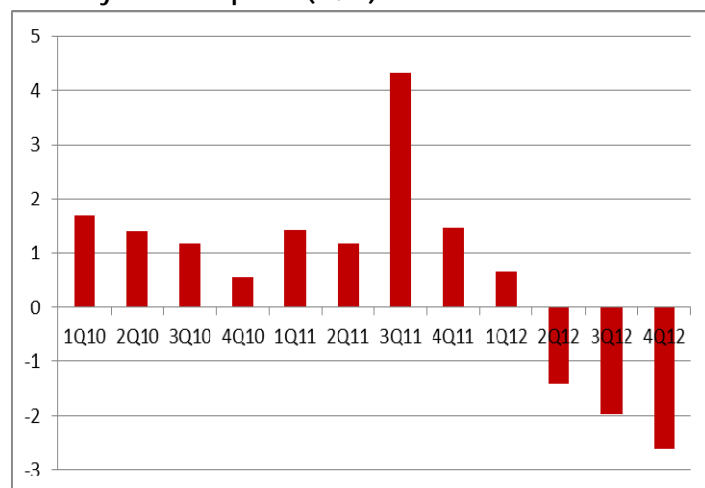
THK SP
SELL; TP: S\$0.028
4QFY12 Results Note

Price @26/02/13: S\$0.038
52-week range (S\$): 0.026 – 0.051
Market cap: S\$99m

CE distribution to continue to lag. Downgrade to Sell.

- **Key positives in 4Q12:**
 - 1) Thakral booked a one-off revaluation gain of S\$5.6m on one of its investment properties in Hong Kong.
 - 2) Revenue of S\$83.5m (+3% yoy) was higher than expected on a pick-up in sales towards the end of the year as Sino-Japanese relations did not turn out to be as bad as we feared.
- **Key negatives:**
 - 1) Gross margin decreased significantly by 6.9% pts yoy.
 - 2) Dividend of S\$0.001 was declared, lower than what we expected as we thought Thakral might distribute out some of its S\$15m investment gain to shareholders. Management explained that it would be more prudent to use these proceeds to fund further investments in its real estate investment business, which is doing very well.
 - 3) With a lower gross margin and higher opex, Thakral reported a core net loss of S\$2.6m (after excluding S\$5.6m from revaluation gain) versus a core net profit of S\$1.5m a year ago.
- **Strong real estate but weak CE distribution business.** Thakral's real estate investment business in Australia remains strong with a huge pipeline of projects in the works while return on investment is expected to be at least 20%. This division recorded S\$3.9m in profit for FY12 but was unable to offset the losses from the CE distribution business. Outlook for CE distribution remains weak as Thakral has yet to find a product that can plug the big gap left by the waning demand for point-and-shoot cameras.
- **Forecast changes; downgrade to Sell.** We reduced our sales (and GPM) projection for the CE business but increased our sales projection for the real estate investment business. The net result is lower overall revenue and a slightly lower gross margin. This also results in net losses projected for FY13-14. We also introduce our forecasts for FY15. No dividend has been projected as we expect losses. Target price remains at S\$0.028, pegged at 0.7x CY13 P/BV (0.5s.d. below its 5-year average). Downgrade to Sell. We expect derating catalysts to come from weak results.

Quarterly core net profit (\$m)



Source: Company

FY12 result at a glance

	FY12	FY11	Chng (%)
Sales (\$m)	309.3	363.7	-15.0
Operating profit (\$m)	-1.8	12.6	nm
Net profit (\$m)	16.2	8.3	nm
EPS (S cts)	0.620	0.320	nm

Profit margin

	FY12	FY11	Chng (% pts)
Gross profit margin (%)	7.1	10.6	-3.43
Operating profit margin (%)	-0.6	3.5	-4.05
Net profit margin (%)	5.2	2.3	2.96

Balance sheet ratios

	FY12	FY11
Net gearing (%)	37.0	-6.8
ROE (%)	14.9	7.4
Current ratio (x)	1.7	1.8

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
Net Cash/(Debt) (SGD m)	8.0	-41.8	-49.5	-56.8	-65.8
Net cash per share (SGD cts)	0.3	-1.6	-1.9	-2.2	-2.5
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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