

Analyse This...

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Thakral Corp. Ltd.

Investment gain masks another weak quarter

 THK SP
 HOLD; TP: S\$0.028
 3QFY12 Results Note

 Price @07/11/12: S\$0.029
 52-week range (S\$): 0.025 – 0.051
 Market cap: S\$75.8m

Expect good dividends for FY12. Upgrade to Hold.

• Key positives in 3Q12:

- 1) Thakral booked a one-off investment gain of S\$15m on the sale of its stake in Thakral Holdings Group listed in Australia.
- 2) The company has a new pipeline of property investment projects in Australia estimated to require A\$60m from Thakral and co-investors. While we are impressed with Thakral's real estate investment business, we believe the impact of the contribution to the overall group remains small.
- 3) An interim dividend of S\$0.001 was declared, with 9 Nov 2012 the ex-dividend date.

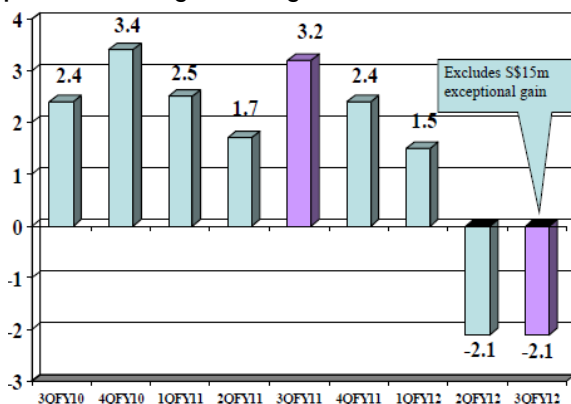
• Key negatives:

- 1) Revenue fell 19% yoy for 3Q12 as sales at its consumer electronics distribution division, which comprises many Japanese brands, took a hit with the boycotting of Japanese goods in China. We believe the sentiment of Chinese consumers may take a while to change.
- 2) Net profit of S\$12.8m was booked in 3Q12. With its investment gain stripped out, Thakral would have made a loss of S\$2.1m, further compounding its losses for the year. Also, the group's 9M12 net loss would have been S\$2.7m, a far cry from our earlier projection of S\$1.9m profit for the full year.

- **Outlook weak.** Management highlighted that it remains cautious about 4Q given the slowdown in the Chinese economy. We are also mindful of the fact that a significant range of Thakral's products is Japanese and expect sales to continue to be affected going into 4Q12; on the back of this, we expect another loss-making quarter.

- **Good dividend for FY12.** We cut our earnings estimates for FY12-14 for Thakral's weak business prospects but factor in its 3Q12 investment gain. We are expecting management to announce a final dividend of S\$0.0015 with the release of its 4Q12 results, which should produce a dividend yield of about 8.6% for FY12 at the current price level. However, we warn investors that dividend yield could fall to 2.1-2.6% for FY13-14 if the company is able to make a profit as we have projected. We now peg Thakral to 0.66x CY13 P/BV (0.5SD below its 5-year average) to derive a new target price of S\$0.028 and upgrade the stock to a Hold.

Net profit excluding one-off gain



Source: Company

3Q12 result at a glance

	3Q12	3Q11	Chng (%)
Sales (\$m)	74.8	91.9	-18.7
Operating profit (\$m)	-0.6	4.9	nm
Net profit (\$m)	12.8	2.9	nm
EPS (S cts)	4.160	4.310	nm

Profit margin

	3Q12	3Q11	Chng (% pts)
Gross profit margin (%)	7.9	13.9	-5.96
Operating profit margin (%)	-0.8	5.3	-6.09
Net profit margin (%)	17.1	3.1	13.97

Balance sheet ratios

	3Q12	3Q11
Net gearing (%)	32.7	-6.8
ROE (%)	47.0	10.2
Current ratio (x)	1.8	1.8

Source: Company, CIMB

Financial summary

FYE Dec	2010	2011	2012F	2013F	2014F
Revenue (SGD m)	409.3	363.7	292.2	342.4	409.6
EBITDA (SGD m)	6.2	13.1	-1.0	6.3	7.4
EBITDA margins (%)	1.5	3.6	-0.3	1.8	1.8
Pretax profit (SGD m)	39.2	12.1	11.5	2.8	3.6
Net profit (SGD m)	37.5	8.3	11.4	2.6	3.3
EPS (SGD cts)	1.4	0.3	0.4	0.1	0.1
EPS growth (%)	225.9	-78.0	37.5	-77.2	27.9
P/E (x)	2.0	9.2	6.7	29.2	22.8
Core EPS (SGD cts)	0.2	0.3	-0.1	0.1	0.1
Core EPS growth (%)	11.7	73.4	-143.4	171.1	27.9
Core P/E (x)	15.6	9.0	nm	29.2	22.8
FD EPS (SGD cts)	1.4	0.3	0.4	0.1	0.1
FD P/E (x)	2.0	9.2	6.7	29.4	23.0
Gross DPS (SGD cts)	0.0	0.2	0.3	0.1	0.1
Dividend yield (%)	0.0	6.9	8.6	2.1	2.6
P/NTA (x)	0.7	0.6	0.7	0.7	0.7
NTA/sh (SGD cts)	4.0	4.5	4.4	4.3	4.3
BVPS (SGD cts)	4.0	4.5	4.4	4.3	4.3
ROE (%)	22.9	7.8	10.3	2.4	3.1
Net gearing (%)	Net Cash	Net Cash	32.7	32.9	45.9
Net Cash/(Debt) (SGD m)	11.4	8.0	-37.2	-36.8	-52.1
Net cash per share (SGD cts)	0.4	0.3	-1.4	-1.4	-2.0
P/CF (x)	2.0	8.7	6.4	24.8	19.9
EV/EBITDA (x)	11.8	5.6	nm	11.6	10.0

Source: Company, CIMB

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