

Analyse This...

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Thakral Corp. Ltd.

Margins continue to narrow

 THK SP
 HOLD; TP: S\$0.025
 3Q13 Results Note

 Price @13/11/13: S\$0.028
 52-week range (\$): 0.027 – 0.045
 Market cap: S\$73.3m

3Q13 CE: sales up, margins down

- 3Q13 earnings remain in negative territory, with net loss of S\$0.8m forming 28% of our full year loss forecast. Although there appears to be a big drop compared to 3Q12, this was actually due to a one-off investment gain of S\$15m in 3Q12; stripping this out, loss narrowed by 64%.
- Revenue for 3Q13 jumped 44% yoy to \$107.7m. On a 9M basis, the increase was 28% yoy to S\$288.4m. This was due to both distribution and investment revenues improving.
- Operating profit for 3Q13 improved to S\$0.7m, as compared to a loss of S\$0.6m a year ago. This was mainly due to cost control, as distribution costs were flat while administrative expenses decreased 22% yoy, as the group's staff costs have been lowered since 1Q13 due to lower staff headcount.
- Net gearing has increased since the start of the year from 37% to 57%, as the group took on more debt to finance the 2 GLNG projects in Australia. Finance costs have risen corresponding, with the 9M13 total of S\$4.6m representing an 88% increase over 9M12.

Geographical outlook:

- Demand in the PRC, which formed 93% of revenues in 9M13, continues to be weak. The group's export markets also suffered, as apprehension over the Fed tapering last quarter led to a weakening of various currencies in its end markets.
- Housing sentiment in Australia strengthened in 3Q13. The National Australia Bank's property survey found the biggest gains in New South Wales, Victoria and Queensland, which bodes well for Thakral's investment portfolio.

Segmental outlook:

- Distribution formed 96% of 3Q13 revenue, growing 43% yoy. Segment loss was S\$1.4m, however, the introduction of new brands and products has been unable to reverse the trend of lower margins. We expect lower margins to hamper the group's results in view of a lack of new products which can counteract the fall in sales of the group's high margin products.
- The investment division made up 4% of 3Q13 revenue. This segment grew 72% yoy and remains the better performing segment of the two. As of now, however, it is still too small compared to the distribution division to return Thakral back into the black.

Unchanged at Hold

- We maintain our hold recommendation with a target price of **S\$0.025** (0.6x CY14 P/B, 0.5 s.d. below its 5 year average).

3Q13 results at a glance

	3Q13	3Q12	yoy chg (%)
Sales (\$m)	107.7	74.8	44.1
Operating profit (\$m)	0.7	-0.6	nm
Net profit (\$m)	-0.8	12.8	nm
EPS (S cts)	-0.04	0.49	nm
			yoy chg (% pts)
Gross profit margin (%)	5.7	7.9	-2.2
Operating profit margin (%)	0.6	-0.8	1.4
Net profit margin (%)	-0.8	17.1	-17.8
	3Q13	3Q12	
Net gearing (%)	57.2	51.3	
BVPS (S cts)	3.9	4.2	
Current ratio (x)	1.6	1.8	

Source: Company, CIMB

Financial summary

FYE Dec	2011	2012	2013F	2014F	2015F
Revenue (SGD m)	363.7	309.3	375.3	414.8	454.5
EBITDA (SGD m)	13.1	-1.3	2.8	4.6	3.2
EBITDA margins (%)	3.6	-0.4	0.7	1.1	0.7
Pretax profit (SGD m)	12.1	17.3	-1.7	-1.0	-2.6
Net profit (SGD m)	8.3	16.3	-2.5	-1.3	-3.4
EPS (SGD cts)	0.3	0.6	-0.1	-0.1	-0.1
EPS growth (%)	-78.0	97.0	-115.3	-46.8	155.3
P/E (x)	8.8	4.5	nm	nm	nm
Core EPS (SGD cts)	0.3	-0.2	-0.1	-0.1	-0.1
Core EPS growth (%)	73.4	-163.6	-36.0	-49.1	120.6
Core P/E (x)	8.7	nm	nm	nm	nm
FD EPS (SGD cts)	0.3	0.6	-0.1	-0.1	-0.1
FD P/E (x)	8.9	4.5	nm	nm	nm
Gross DPS (SGD cts)	0.2	0.2	0.0	0.0	0.0
Dividend yield (%)	7.1	7.1	0.0	0.0	0.0
P/NTA (x)	0.6	0.6	0.7	0.7	0.7
NTA/sh (SGD cts)	4.5	4.3	4.2	4.1	4.0
BVPS (SGD cts)	4.5	4.3	4.2	4.1	4.0
ROE (%)	7.8	14.8	-2.4	-1.3	-3.4
Net gearing (%)	Net Cash	37.0	50.6	59.4	71.5
Net Cash/(Debt) (SGD m)	8.0	-41.8	-54.9	-63.8	-74.7
Net cash per share (SGD cts)	0.3	-1.6	-2.1	-2.4	-2.9
P/CF (x)	8.4	4.4	-35.7	-83.1	-24.9
EV/EBITDA (x)	10.5	nm	49.3	29.9	42.6

Source: Company, CIMB

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