

Analyse This...

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Thakral Corporation Ltd

Budding real estate division to add to profitability going forward

THK SP
BUY; TP: S\$0.033
4Q11 Results Note

Price @05/03/12: S\$0.029
52-week range (SGD): 0.023 - 0.035
Market cap: S\$75.8m

Recommendation

- **Maintain Buy with increased target price of S\$0.033.** In view of the growing contributions from Thakral's real estate investments, we now use a blended P/E of 7.8x and CY13 EPS in addition to its 3.5% stake in Thakral Holdings listed in Australia, to derive an increased target price of S\$0.033.
- Our blended P/E is a weighted average of the CY13 forward P/E of Thakral's peers in consumer electronics distribution and real estate investment firms listed in Australia.
- Total dividend per share of 0.2 cents was declared for FY11. This translates to a yield of 6.9% based on yesterday's closing price of S\$0.029. We are expecting management to keep up with a similar level of payout for dividends going forward. This should translate to attractive yields of between 7.5-7.7% for FY12-14.
- With a target price of S\$0.033 and FY12 dividend yield of 7.5%, we are expecting a total upside of 21.3%.
- We expect further price catalysts to come from the announcement of more real estate investment projects.

Results Review

- FY11 net income of S\$8.3m was 21.6% below our previous forecast.
- The group recorded profit before tax of S\$12.1m (+15.2% yoy), excluding the one-off gain of S\$28.7m in FY10.
- Revenue fell 11.1% yoy but was offset by higher gross profit margins, which in turn grew gross profit by 60% from a year ago.
- Gross profit margins for the year increased 4.7 ppts from increased contributions from the group's real estate investment arm in Australia.
- A second interim dividend of 0.1 cent was also declared, bringing the total dividend declared for the year to 0.2 cent. This translates to a yield of 6.9% based on Friday's closing price of S\$0.029.

Outlook for 2012

- The group is expected to remain profitable in FY12
- On the consumer electronics distribution front, despite expecting China to grow at a slower rate, due to the global economic conditions, the group remains cautiously optimistic about its outlook for 2012.
- A number of real estate projects are currently under evaluation in Australia and are expected to be finalized in 2012.

FY11 result at a glance

	FY11	FY10	% change
Revenue (\$ million)	363.7	409.3	-11.1%
Gross Profit (\$ million)	38.4	24.1	59.3%
Gross Margin (%)	10.6	5.9	79.7%
Net Attributable Profit (\$ million)	8.3	37.5	-77.9%
Net Attributable Profit (\$ million) (Excluding exceptional items)	7.8 *	7.4 *	5.4%
Net Margin (%)	2.3	9.2	-75.0%
Net Margin (%) (Excluding exceptional items)	2.1 *	1.8 *	16.7%
Earnings Per Share (cents)	0.32	1.44	-77.8%
Earnings Per Share (cents) (Excluding exceptional items)	0.30 *	0.28 *	7.1%
Net Asset Value Per Share (cents)	4.28	3.83	11.7%

* Excluding gain on sale of investment in Gateway Distriparks Limited, India, as well as unrealised valuation gain on investment properties

Source: Company

4QFY11 result at a glance

	4QFY11	4QFY10	% change
Revenue (\$ million)	80.7	81.5	-1.0%
Gross Profit (\$ million)	10.2	6.1	67.2%
Gross Margin (%)	12.7	7.5	69.3%
Net Attributable Profit (\$ million)	1.9	3.3	-42.4%
Net Attributable Profit (\$ million) (Excluding exceptional items)	1.4 *	1.9 *	-26.3%
Net Margin (%)	2.3	4.0	-42.5%
Net Margin (%) (Excluding exceptional items)	1.7 *	2.3 *	-26.1%
Earnings Per Share (cents)	0.07	0.13	-46.2%
Earnings Per Share (cents) (Excluding exceptional items)	0.05 *	0.07 *	-28.6%

* Excluding unrealised valuation gain on investment properties

Source: Company

Financial summary

FYE Dec	2010	2011	2012F	2013F	2014F
Revenue (SGD m)	409.3	363.7	410.1	476.6	570.7
EBITDA (SGD m)	5.3	12.1	13.9	13.1	14.6
EBITDA margins (%)	1.3	3.3	3.4	2.7	2.6
Pretax profit (SGD m)	39.2	12.1	13.8	13.0	14.4
Net profit (SGD m)	37.5	8.3	9.4	8.9	9.8
EPS (SGD cts)	1.4	0.3	0.4	0.3	0.4
EPS growth (%)	225.9	-78.0	14.2	-6.2	10.9
P/E (x)	2.0	9.2	8.0	8.5	7.7
Core EPS (SGD cts)	0.2	0.3	0.4	0.3	0.4
Core EPS growth (%)	11.7	73.4	12.5	-6.2	10.9
Core P/E (x)	15.6	9.0	8.0	8.5	7.7
Gross DPS (SGD cts)	0.0	0.2	0.2	0.2	0.2
Dividend yield (%)	0.0	6.9	7.5	7.0	7.8
P/NTA (x)	1.0	1.0	0.9	0.9	0.8
BVPS (SGD cts)	4.0	4.5	4.7	4.9	5.2
ROE (%)	37.5	7.4	8.2	7.4	8.0
Net gearing (%)	-11.0	-6.8	-8.3	-3.4	3.6
Net Cash/(Debt) (SGD cts)	11.4	8.0	10.2	4.4	-4.8
Net cash per share (SGD cts)	0.0	0.0	0.0	0.0	0.0
P/CF (x)	2.0	8.7	7.6	8.1	7.4
EV/EBITDA (x)	13.9	6.0	5.3	5.6	5.0

Source: Company, CIMB

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HOLD: The stock's total return is expected to range between +15% and -15% over the next three months.

SELL: The stock's total return is expected to be -15% or worse over the next three months.

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