

Analyse This...

CIMB Research Pte Ltd

YHI International Limited

Disappointing end to FY12

 YHI SP
 BUY; TP:\$0.34
 4Q12 results

 Price @8/3/12: S\$0.305
 52-week range (S\$): 0.295 – 0.365
 Market cap: S\$178.3m

Below again

- The disappointment at YHI continued with FY12 sales in line with our expectations but net profit missed our estimates by 18%. Recall that we had already downgraded our forecasts since turning cautious post 1H12 results last year.
- Revenue mix remained relatively unchanged with distribution accounting for roughly 70% of sales and manufacturing at 30%. Manufacturing reported a small segmental loss and the entire profit contribution came from the distribution business.
- Segmental margins in the ASEAN region collapsed by 5.6 ppts to 9.3%, explaining the drop in profitability. YHI registered an exchange loss of S\$2.2m in FY12.
- The outlook remains challenging with manufacturing operations continuing to experience weak demand and margins still under pressure. The new factory in Malacca has started trial production in limited quantities and the second casting line is scheduled for end of 2Q13.
- Maintain BUY.** Based on 8.4x P/E (1 SD above its 5 year forward average P/E). Target price falls to S\$0.34 on CY14 EPS. With its dividend yield, expected upside is 16.0%.

4Q12 at a glance

FYE Dec (S\$m)	FY12	FY11	YoY Chg
Revenue	541.1	550.6	-1.7%
Gross profit	126.1	130.6	-3.4%
Pre tax profit	31.9	52.3	-39.0%
Net profit	18.2	38.2	-52.0%
EPS (S cts)	3.13	6.53	-67.9%

Financial ratios (%)	FY12	FY11	YoY Chg
Gross profit margin	23.3	23.7	-0.4 ppts
Pre tax margin	5.9	9.5	-3.6 ppts
Net profit margin	3.4	6.9	-3.6 ppts

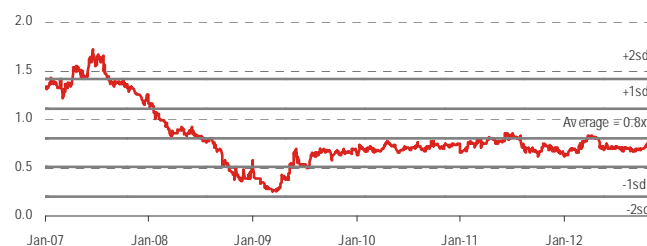
Balance Sheet	FY12	FY11	YoY Chg
Net gearing (x)	0.36	0.24	na
Book value per share (S cts)	42.29	42.48	+1.5cts

Source: Company, CIMB

Historical average forward P/E (x)



Historical average forward P/BV (x)



Financial analysis

FYE Dec	2011	2012	2013F	2014F	2015F
Revenue (S\$m)	550.6	541.1	574.8	600.9	628.0
Pretax profit (S\$m)	52.3	31.9	33.8	38.0	42.4
Net profit (S\$m)	38.2	18.3	20.8	23.8	26.9
EPS (cts)	6.5	3.1	3.6	4.1	4.6
EPS growth (%)	+16%	-52%	+14%	+14%	+13%
P/E (x)	4.7	9.7	8.6	7.5	6.6
Gross DPS (cts)	2.0	1.3	1.1	1.2	1.4
Dividend yield (%)	6.4	4.1	3.5	4.0	4.5
P/NTA (x)	0.7	0.7	0.7	0.6	0.6
ROE (%)	16.3	7.4	8.0	8.3	8.6
Net gearing (%)	24.1	36.4	34.8	29.1	22.0

Source: Company, CIMB

Technical outlook



- R2: 0.35, R1: 0.34
- S1: 0.29, S2: 0.24
- The stock tested its multiyear key resistance trend line but failed to break out of it. This trend line is very important as it has kept the bulls at bay since 2004.
- There is not much to say about its indicators as they are mostly neutral at the moment.
- For now, we think that the trend is down unless prices can close above the S\$0.35 levels. Look lower for now.

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