

# CIMB TRADER<sup>PM</sup>

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## CIMB squawk box

### YHI International (YHI SP; S\$0.31) – Pick up the latest stock tip before the rest does!

- If you ask us for a compelling stock idea today, we say “**BUY YHI International**”. Reasons? (i) Excellent results, (ii) undemanding valuation, (iii) respectable dividend yield, and (iv) a well crafted new 5-yr expansion strategy! Need more details? Refer to our write-up in the pages to follow. Here, we provide a snapshot of its merits.
- **Maintain BUY, TP raised to S\$0.52.** We raise our earnings forecast for FY11-12 by 37% - 38% in view of the superlative 4Q10 results; FY10 net profit (S\$33m) surpasses our original estimates for FY11-12. Our target price hence rises to S\$0.52 (from S\$0.38), still pegged at 8x CY12 P/E, a 10% discount to its 5-years average forward P/E. We also introduce FY13 numbers. Dividend of 1.7 Scts provides “icing on the cake”, translating to a very respectable yield of 5.5%.
- **Strong turnover, even better gross margin.** 4Q10 net profit of S\$13.9m (+92% yoy) came in above our expectations, forming 53% of our FY10 forecast. 12M10 net profit of S\$33m (+46% yoy) represents 127% of our full year estimate. The beat came from better-than-expected revenue contribution by the two business segments, as well as superior gross margin for its distribution business in 4Q.
- **New 5-yr plan sets the tone.** The Group took the opportunity to unveil its new 5-year business expansion plan (FY2011-FY2015) to grow its manufacturing and distribution businesses at the results briefing last evening. YHI aims to reach annual sales target of S\$1bn by 2015. The new business plan will involve adding new alloy rims production capacity for its manufacturing segment, signalling its move towards becoming an Original Equipment Manufacturer (a new area for YHI), as well as implementing a new marketing strategy to expand its distribution business segment.
- **YHI offers good value,** trading at 0.7x CY11 P/NTA and 4.8x CY12 P/E, 47% lower than its 5-year historical forward P/E average of 9x. This is not justifiable given its strong distribution franchise, healthy net gearing (historical) of 14%, and a very attractive dividend yield of 5.5%.

### UOB Ltd (UOB SP; S\$18.40)

- UOB reports a 35% yoy rise in net profit for 4Q10 to S\$706m, helped by higher fee and commission income and lower provisions for bad debt. Net interest income fell 3% yoy to S\$865m during the quarter as net interest margin contracted to 1.91ppt, from 2.07ppt in 3Q10. Pending results review, we have an **Underperform** call, TP of **S\$20.83**.
- Share price rose +2% in morning trade.

## Trendspotter (CFD)

- **Powershares QQQ Nasdaq 100 (QQQ US; US\$56.85, Sell)** – With both its MACD and RSI continue to sport negative divergences, we believe that the QQQ has reached its top and a correction is taking place now. Any upside is likely to remain below the recent high of US\$59.04 for this bearish view to be intact.
- **Google Inc (GOOG US; US\$608.82, Sell)** - Yesterday, prices closed below its 50-day SMA, potentially suggesting that the next wave of selling is taking place. The sell signals on its MACD and RSI call for lower prices as well. We believe that the big move down is likely to take place soon. Traders may short now with a stop placed above US\$631.18.
- **eBay Inc (EBAY US; US\$33.09, Sell)** - It is now sitting just above the support trend line at US\$32.50. With its MACD and RSI in sell mode, we expect weaker prices ahead. Although we cannot discount that prices could rally once more to US\$35.35, we think that a break below this support trend line is a good time to take profits.

## Big picture

- **Asian markets rallied higher** in morning trade, with Japan's Nikkei 225 rising 23pts (+0.2%) to 10,475.7, its first advance in four days as oil prices fell and economic reports tempered worries about turmoil in the Middle East. Hong Kong's Hang Seng Index also rose, adding 360.6pts (+1.6%) to 22,961.6 after four straight losses and on relief over easing world oil prices. Singapore's STI was up 33.8pts (+1.1%) at 3,006.8, thanks to short-covering. We expect the STI to close higher today on the back of the positive regional sentiment brought about by easing oil prices.

## Brokers' Actions

Allgreen Properties	CIMB maintains Underperform with target price of S\$1.17.
ARA Asset Management	CIMB upgrades to Outperform with target price of S\$1.98 (previous S\$1.58).
CapitaLand	CIMB maintains Neutral with target price of S\$4.04.
City Developments	CIMB maintains Underperform with target price of S\$11.58 (previous S\$12.87). Deutsche maintains Sell with target price of S\$10.67 (previous S\$10.60).
Elec & Eltek	CIMB maintains Outperform with target price of US\$4.03 (previous US\$4.30).
Ho Bee Investments	CIMB maintains Outperform with target price of S\$1.85 (previous S\$2.07).
Mewah International	CIMB maintains Outperform with target price of S\$1.41.
Petra Foods	CIMB downgrades to Neutral with target price of S\$1.90 (previous S\$1.88).
Tiger Airways	CIMB maintains Underperform with target price of S\$1.64.
Wheelock Properties	CIMB maintains Outperform with target price of S\$2.41 (previous S\$2.37).

## Selected Statistics (PM)

Indices	Level	% chg	Ytd % chg
Straits Times Index	3,006.77	1.1%	-5.7%
FTSE All Share Index	742.58	1.0%	-6.3%
FSTC ST China Index	292.23	1.0%	-10.7%
CSI 300 Index	3,213.38	0.7%	+2.7%
Hang Seng Index	22,961.63	1.6%	-0.3%
Taiwan TAIEX Index	8,599.65	0.7%	-4.2%
Nikkei-225	10,510.55	0.6%	+2.8%
KOSPI Index	1,962.51	0.6%	-4.3%
Topix Index	939.96	0.6%	+4.6%
ASX 200 Index	4,836.50	0.6%	+1.9%
KLCI Index	1,494.25	0.3%	-1.6%
JCI Index	3,445.23	0.2%	-7.0%
SET Index	981.79	0.5%	-4.9%
DJIA Index Future	12,086.00	0.00	+5.0%
Crude Oil (US\$/barrel)	97.72	0.5%	+6.9%
Gold Spot (US\$/oz)	1,405.35	0.2%	-1.1%
Exchange rate			
USD/JPY	81.93	0.0%	+1.0%
EUR/JPY	113.29	0.2%	+4.4%
USD/SGD	1.2749	-0.2%	-0.7%

Mid-day top volume	Last price	% chg	Vol (m)
GOLDEN AGRI-RESO	SGD 0.65	3.2%	60.9
GENTING SINGAPOR	SGD 1.95	1.6%	41.4
ARMADA GROUP	SGD 0.08	+7.1%	19.0
YANGZIJIANG SHIP	SGD 1.79	-0.6%	18.7
SINGAP TELECOMM	SGD 2.96	3.5%	15.4
COSCO CORP SINGA	SGD 1.96	1.6%	13.5

Mid-day top gainers	Last price	% chg	Vol (m)
COMPACT METAL IN	SGD 0.01	+100.0%	0.1
TYE SOON LTD	SGD 0.16	+23.1%	3.6
STRATECH SYSTEMS	SGD 0.04	+16.7%	4.1
GEMS TV HOLDINGS	SGD 0.04	+16.7%	0.3
KINGBOARD COPPER	SGD 0.39	+13.0%	0.5
CONTEL CORP LTD	SGD 0.05	+12.5%	0.5

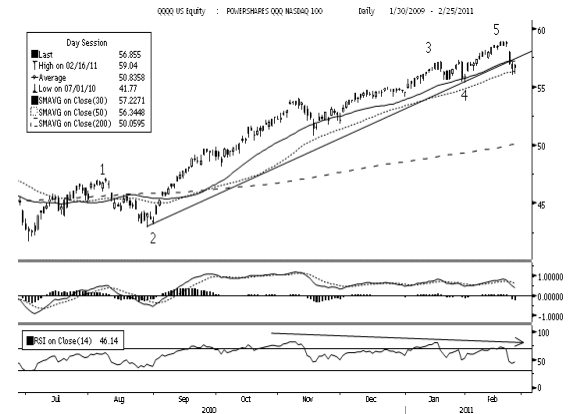
Mid-day top losers	Last price	% chg	Vol (m)
CARRIERNET GLOBA	SGD 0.01	-50.0%	0.0
NEW WAVE HOLDING	SGD 0.01	-33.3%	0.1
LIANG HUAT ALUM	SGD 0.01	-33.3%	0.0
VICPLAS INTL	SGD 0.06	-25.0%	0.0
HLH GROUP LTD	SGD 0.03	-16.7%	0.6
UE E&C LTD	SGD 0.42	-12.5%	10.1

# Trend Spotter CFD

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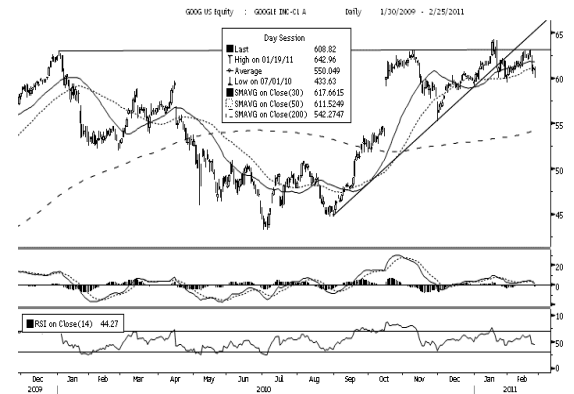
## Powershares QQQ Nasdaq 100 (QQQ US; US\$56.85) – SELL

- QQQ appears to have completed its 5-waves impulsive move from the June lows. Prices have reversed after hitting a high of US\$59.04 and are now trading below its support trend line.
- With both its MACD and RSI continue to sport negative divergences, we believe that the QQQ has reached its top and a correction is taking place now. Any upside is likely to remain below the recent high of US\$59.04 for this bearish view to be intact. Resistance is also seen around the US\$57.50, the support turned resistance trend line.
- A drop below the US\$55.39 low would likely mean that the next leg downwards is underway. Traders may place a sell stop just below this level, in order to catch this wave down. We expect prices to correct to at least US\$50.85, which is its previous wave 3(iv) low.



## Google Inc (GOOG US; US\$608.82) – SELL

- Google also has completed its 5-wave advance from the early July lows. Prices fell below its support trend line in January and then rebounded to retest this trend line in February. However, prices have started to reverse in the past week.
- Yesterday, prices closed below its 50-day SMA, potentially suggesting that the next wave of selling is taking place. The sell signals on its MACD and RSI call for lower prices as well.
- We believe that the big move down is likely to take place soon. Traders may short now with a stop placed above US\$631.18. We expect prices to fall to at least US\$554.47, which is 1.618x of wave (i) down. The following level is at US\$507.06, which is 2.618x of wave (ii). One can add to shorts if the US\$595.55 low is taken out.



## eBay Inc (EBAY US; US\$33.09) – SELL

- The rally in eBay from the bullish flag pattern was slightly better than we expected (see USA Trendspotter 19<sup>th</sup> Jan issue). It has surpassed our target of US\$33.40 to reach a high of US\$35.35 but prices have fallen back since.
- It is now sitting just above the support trend line at US\$32.50. With its MACD and RSI in sell mode, we expect weaker prices ahead. Although we cannot discount that prices could rally once more to US\$35.35, we think that a break below this support trend line is a good time to take profits.
- Take profits if prices break below US\$32.50. Aggressive traders can opt to go short now or on any rebounds with a stop placed above the recent swing high of US\$35.35. Anything below US\$30.98 would likely suggest that prices could fall back to US\$26.90 levels.



# Analyse this...

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## YHI International Ltd

**Excellent result, but new 5-year plan hogs limelight!**

 YHI SP  
BUY; TP: S\$0.52

 Price @25/02/11 (mid-day) : S\$0.31  
52-week range (SGD): 0.215 – 0.35  
Market cap : S\$181.2m

### Maintain BUY; Target Price of S\$0.52

- **Maintain BUY, TP raised to S\$0.52.** We raise our earnings forecast for FY11-12 by 37% - 38% in view of the superlative 4Q10 results; FY10 net profit (S\$33m) surpasses our original estimates for FY11-12. Our target price hence rises to S\$0.52 (from S\$0.38), still pegged at 8x CY12 P/E, a 10% discount to its 5-years average forward P/E. We also introduce FY13 numbers. Dividend of 1.7 Scts provides "icing on the cake", translating to a very respectable yield of 5.5%.
- **Strong turnover, even better gross margin.** 4Q10 net profit of S\$13.9m (+92% yoy) came in above our expectations, forming 53% of our FY10 forecast. 12M10 net profit of S\$33m (+46% yoy) represents 127% of our full year estimate. The beat came from better-than-expected revenue contribution by the two business segments, as well as superior gross margin for its distribution business in 4Q.
- **New 5-yr plan sets the tone.** The Group took the opportunity to unveil its new 5-year business expansion plan (FY2011-FY2015) to grow its manufacturing and distribution businesses at the results briefing last evening. YHI aims to reach annual sales target of S\$1bn by 2015. The new business plan will involve adding new alloy rims production capacity for its manufacturing segment, signalling its move towards becoming an Original Equipment Manufacturer (a new area for YHI), as well as implementing a new marketing strategy to expand its distribution business segment.
- **YHI offers good value,** trading at 0.7x CY11 P/NTA and 4.8x CY12 P/E, 47% lower than its 5-year historical forward P/E average of 9x. This is not justifiable given its strong distribution franchise, healthy net gearing (historical) of 14%, and a very attractive dividend yield of 5.5%.

### Results summary

FYE Dec (S\$m)	4QFY10	4QFY09	YoY Chg
Revenue	132.6	112.4	18.0%
Gross profit	37.7	25.1	50.3%
EBITDA	21.1	14.2	48.4%
PATMI	13.9	7.3	92.1%
EPS (S cts)	2.38	1.24	92.1%

Financial ratios (%)	4QFY10	4QFY09	YoY Chg
Gross profit margin	28.5	22.3	+6.1% pts
EBITDA margin	15.9	12.6	+3.3% pts
Net profit margin	10.5	6.5	+4.1% pts

Balance Sheet	4QFY10	4QFY09	YoY Chg
Net gearing (%)	14.4	15.9	-1.5% pts
NTA per share (S cts)	36.9	34.5	6.9%

Source: Company, CIMB Research

### 4Q10 results beats forecast

- 4Q10 net profit of S\$13.9m (+92% yoy) came in above our expectations, forming 53% of our FY10 forecast. 12M10 net profit of S\$33m (+46% yoy) represents 127% of our full year estimate. The beat came from better-than-expected revenue contribution by the two business segments, as well as superior gross margin for its distribution

business in 4Q.

- 4Q10's revenue rose +18% yoy to S\$132.6m (better-than-expected) on the back of higher demand for the Group's products, as a result of better consumer and business sentiments. Both its distribution and manufacturing segments reported higher turnover in 4Q10. From a full year perspective, sales from its distribution segment rose +23.8% yoy to S\$354.2m, while turnover from its manufacturing segment was up +13.2% yoy S\$145.4m.
- Gross profit margin expanded +6.1% pts yoy (+5% pts qoq) to 28.5% (better-than-expected) in 4Q10, mainly due to sales of certain products at higher margins. However, the increase in business volumes raised operating expenses (as % of turnover) by +1.3% pts yoy to S\$81.3m in FY10, as the Group experienced increases in staff costs, delivery and marketing fees. Though higher operating expenses dragged its EBITDA margin 5% pts lower yoy, the significant growth in turnover and healthy gross margin expansion lifted net profit +46% higher yoy to S\$33m.
- Net gearing declined -1.5% pts qoq to 0.14x (14.4%) despite total borrowings increasing +4% qoq to S\$75.6m, thanks to an improvement in its cash position (+10% qoq to S\$43.9m at end of Dec 2010). Operating cash flows remained at a healthy level of S\$33.5m for FY10.

### Forecasts summary

FYE Dec	2009	2010	2011F	2012F	2013F
Revenue (S\$ m)	414.4	499.6	550.2	598.2	639.8
EBITDA (S\$ m)	46.4	54.1	54.1	55.5	59.0
EBITDA margins (%)	11.2	10.8	9.8	9.3	9.2
Pretax profit (S\$ m)	31.9	45.5	49.4	51.8	56.0
Net profit (S\$ m)	22.6	33.0	36.6	38.1	40.3
EPS (cts)	3.9	5.6	6.3	6.5	6.9
EPS growth (%)	+16%	+46%	+11%	+4%	+6%
P/E (x)	8.0	5.5	5.0	4.8	4.5
Gross DPS (cts)	1.2	1.7	1.9	2.0	2.1
Dividend yield (%)	3.7	5.5	6.1	6.3	6.7
P/NTA (x)	0.9	0.8	0.7	0.7	0.6
ROE (%)	12.0	15.8	15.7	14.7	14.0
Net gearing (%)	19.5	14.4	6.7	1.4	net cash
P/CF (x)	5.1	4.4	4.2	4.2	4.0
EV/EBITDA (x)	4.4	3.8	3.8	3.7	3.5

Source: Company, CIMB Research

### 5-yr expansion plan unveiled

- The Group took the opportunity to unveil its new 5-year business expansion plan (FY2011-FY2015) to grow its manufacturing and distribution businesses at the results briefing last evening. YHI aims to reach annual sales target of S\$1bn by 2015. The new business plan will involve adding new alloy rims production capacity for its manufacturing segment, signalling its move towards becoming an Original Equipment Manufacturer (a new area for YHI), as well as implementing a new marketing strategy to expand its distribution business segment.
- Refer to the next page for detailed write-up.

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## YHI International Ltd

### Highlights of the 5-yr expansion plan

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### Highlights of the 5-yr expansion plan

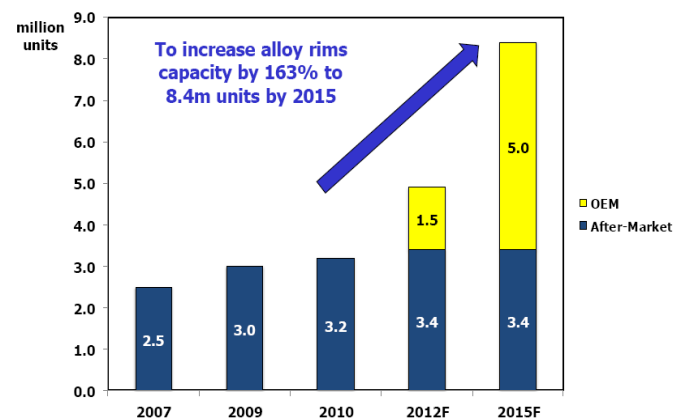
- Doubling of revenue to S\$1bn by 2015?** The Group took the opportunity to unveil its new 5-year business expansion plan (FY2011-FY2015) to grow its manufacturing and distribution businesses at the results briefing last evening. YHI aims to reach annual sales target of S\$1bn by 2015. The new business plan will involve adding new alloy rims production capacity for its manufacturing segment, signalling its move towards becoming an Original Equipment Manufacturer (OEM) - a new area for YHI-, as well as implementing a new marketing strategy to expand its distribution business segment.
- Conceiving a new growth driver in OEM.** YHI is currently NOT involved in the OEM business, but with its new 5-year business expansion plan (FY2011-FY2015), the Group will increase its production capacity by an additional 5m alloy rims by 2015 for the purpose of servicing potential OEM customers. When completed, YHI would have a total production capacity of 8.4m units of alloy rims per annum in 2015 (from 3.2m units at present). This will be done through the expansion of its existing manufacturing facilities in China, Taiwan and Malaysia. The new capacity will be largely used for producing alloy rims to car manufacturers that YHI hopes to service as an OEM. It is already in the process of adding an additional capacity of 200,000 units per annum through a new production line in Sepang, Malaysia, that is expected to be ready by April 2011.
- Right time to move into OEM in a significant manner.** The latest strategic move allows the Group to capitalise on opportunities that have arisen as demand from China and ASEAN continues to grow exponentially. YHI had installed an experienced OEM team in China since 2009, and it believes that the time is now right to enter the OEM market in a more significant manner. The Group would target China and Malaysia OEM markets for a start, with premium auto makers their ideal type of potential clients.
- Re-strategizing the distribution segment.** The Group's new marketing strategy will involve implementing multi-brand, multi-category and multi-product sales initiatives for all YHI's sales offices & appointed distributors worldwide. The Group sees areas that could be further developed in its previous marketing and distribution strategy. Moving ahead, the Group will take a more proactive approach to fill these gaps to grow its distribution sales.

### Corporate Profile

- YHI International is a recognised distributor of high-quality automotive and industrial products as well as a familiar and trusted brand name in alloy rims manufacturing as an Original Design Manufacturing (ODM) providing integrated services from the design and development to the manufacturing, marketing and distribution of alloy rims.
- Key tyres brands are Yokohama, Nankang, Nexen, Pirelli, Archilles, Corsa and its proprietary brand, Neuton. YHI's portfolio of alloy rims includes renowned brands, namely, Enkei, OZ, Konig, Advanti Racing and Breyton. Advanti Racing is an official partner to Scuderia Toro Rosso Formula One Team. YHI's industrial product portfolio includes both automotive batteries and rechargeable batteries for commercial and industrial use as well as golf and utility buggies from EZGO. YHI also has its own proprietary brand of industrial and automotive batteries called Neuton Power. YHI has four alloy rims manufacturing plants located in China, Taiwan and Malaysia with a current total production capacity of 3.2m units per annum.

### Capacity expansion plan

No.	Plants	Existing Capacity (mil/yr)	New Additions (mil/yr)	Post Expansion (mil/yr)	Expected dates
1	Shanghai	1.0	1.0	2.0	<ul style="list-style-type: none"> <li>Completion by 3Q 2011</li> <li>Commence production in early 2012</li> </ul>
2	Suzhou	1.2	2.0	3.2	<ul style="list-style-type: none"> <li>1<sup>st</sup> +1m to be completed by end 2012 &amp; 2<sup>nd</sup> +1m by end 2014</li> <li>Commence production of 1<sup>st</sup> 1m in early 2013</li> </ul>
3	Malaysia 1	0.8	-	0.8	Nil
4	Malaysia 2	0.0	1.0	1.0	<ul style="list-style-type: none"> <li>Completion by end 2011</li> <li>Commence production in early 2012</li> </ul>
5	Taiwan	0.4	-	0.4	• Ready by 2011
6	Others		1.0	1.0	• Location to be decided by 2014
	<b>Total</b>	<b>3.4*</b>	<b>5.0</b>	<b>8.4</b>	Target: 5.0m for OEM 3.4m for After-Market



Source: Company

### Demand projection by 2015

No	Markets	Est. Vehicles Production (mil/yr)	Est. OEM Demand (mil/yr)	Est. After-Market Demand (mil/yr)	Total (mil/yr)
1	USA	15	47.25	9	56.25
2	China	32	100.8	8	108.8
3	Japan	6.5	20.47	7	27.47
4	Europe (including Russia)	18	56.70	6	62.7
5	ASEAN	4	12.6	2	14.6
6	Taiwan	0.3	0.94	0.2	1.14
7	Australia	0.6	1.89	0.5	2.39
	<b>Total</b>	<b>76.4</b>	<b>240.65</b>	<b>32.7</b>	<b>273.35</b>
	<b>YHI Production (mil/yr)</b>		<b>5.0</b>	<b>3.4</b>	<b>8.4</b>
	<b>% of Demand</b>		<b>2.1%</b>	<b>10.4%</b>	<b>3.1%</b>

Source: Company

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**BUY:** The stock's total return is expected to be +15% or better over the next three months.

**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.

### SECTOR RECOMMENDATIONS

**OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +15% or better over the next three months.

**NEUTRAL:** The industry, as defined by the analyst's coverage universe, has either (i) an equal number of stocks that are expected to have total returns of +15% (or better) or -15% (or worse), or (ii) stocks that are predominantly expected to have total returns that will range from +15% to -15%; both over the next three months.

**UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -15% or worse over the next three months.