

Analyse This...

CIMB Research Pte Ltd

YHI International Limited

Slowdown as expected

 YHI SP
 BUY; TP: S\$0.48
 3Q12 results

 Price @12/11/12: S\$0.32
 52-week range (SGD): 0.27 – 0.365
 Market cap: S\$187.1m

Still below

- YHI continued to disappoint with 9M12 sales/net profit forming 73%/60% of our full year forecast. Recall that we had already turned cautious when 1H12 results came in below our expectations.
- The distribution business (73% of Group revenue) grew 4.3% yoy while the manufacturing business (27% of Group revenue) fell 2.4% yoy.
- Gross margins were under pressure in the distribution business. We believe the distribution business was the sole profit generator in the third quarter.
- The outlook remains challenging. On the distribution front, YHI is trying to negotiate for better prices from its key principals. In the manufacturing business, all expansion plans have been put on hold.
- **Maintain BUY.** Based on 8.4x P/E (1 SD above its 5 year forward average P/E). Target price falls to S\$0.48 on CY14 EPS.

3Q12 at a glance

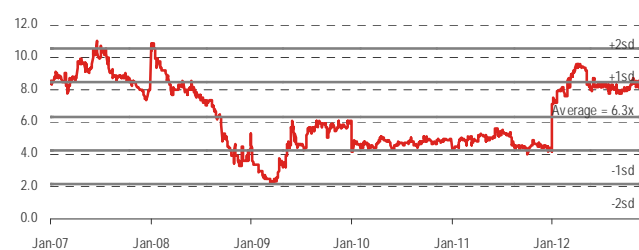
FYE Dec (S\$m)	3Q12	3Q11	YoY Chg	2Q12	QoQ Chg
Revenue	136.7	141.2	-3.2%	139.5	-2.0%
Gross profit	30.7	31.4	-2.3%	33.5	-8.5%
EBITDA	12.1	19.9	-39.0%	15.4	-21.4%
Net profit	3.9	12.2	-68.1%	6.2	-36.6%
EPS (S cts)	0.67	2.09	-67.9%	1.05	-36.2%

Financial ratios (%)	3Q12	3Q11	YoY Chg	2Q12	QoQ Chg
Gross profit margin	22.4	22.2	+0.2 ppts	24.0	-1.6 ppts
EBITDA margin	8.9	14.1	-5.2 ppts	11.0	-2.2 ppts
Net profit margin	2.9	8.7	-5.8 ppts	4.4	-1.6 ppts

Balance Sheet	3Q12	3Q11	YoY Chg	2Q12	QoQ Chg
Net gearing (x)	0.39	0.29	na	0.36	na
Book value per share (S cts)	41.87	40.38	+1.5cts	41.90	-0.03cts

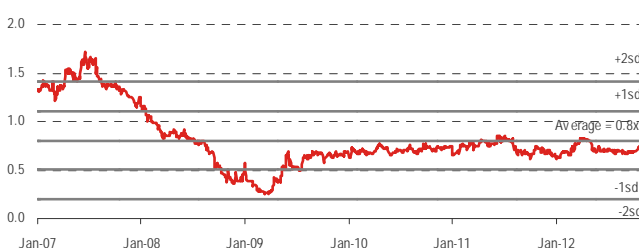
Source: Company, CIMB

Historical average forward P/E (x)



Source: Bloomberg, Company, CIMB

Historical average forward P/BV (x)



Source: Bloomberg, Company, CIMB

Financial analysis

FYE Dec	2010	2011	2012F	2013F	2014F
Revenue (S\$ m)	499.6	550.6	551.5	614.5	630.5
EBITDA (S\$ m)	54.2	67.9	54.8	69.8	77.2
EBITDA margins (%)	10.8	12.3	9.9	11.4	12.2
Pretax profit (S\$ m)	45.5	52.3	35.3	47.0	51.4
Net profit (S\$ m)	33.0	38.2	22.2	30.4	33.5
EPS (cts)	5.6	6.5	3.8	5.2	5.7
EPS growth (%)	+46%	+16%	-42%	+37%	+10%
P/E (x)	5.7	4.9	8.4	6.2	5.6
Gross DPS (cts)	1.7	2.0	1.1	1.6	1.7
Dividend yield (%)	5.3	6.1	3.6	4.9	5.4
P/NTA (x)	0.9	0.8	0.7	0.7	0.6
ROE (%)	15.8	16.3	8.7	11.2	11.4
Net gearing (%)	14.4	24.1	15.7	14.9	9.5
P/CF (x)	4.6	3.8	5.1	3.9	3.5
EV/EBITDA (x)	5.0	4.0	5.0	3.9	3.5

Source: Company, CIMB

Technical outlook



Source: Bloomberg

- **R2: 0.35**
- **R1: 0.33**
- **S1: 0.30**
- **S2: 0.27**
- The stock is still consolidating in a triangle pattern. A breakout should lift prices back towards its previous swing high of S\$0.33. The following resistance level is S\$0.35, its April high.
- Both MACD and RSI are still in a lethargic mode, which is a reflection of its early consolidation phase.
- The triangle support at S\$0.30 is a level of significance. Prices must not breach this level to keep the bulls afloat.

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