

Singapore Result Snapshot

YHI International

Bloomberg: YHI SP | Reuters: YHII.SI

DBS Group Research . Equity

24 Feb 2012

Volume sales set to drive growth

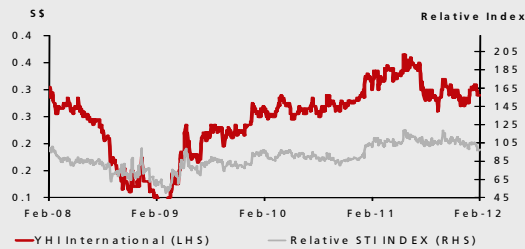
BUY S\$0.29
Price Target : S\$ 0.52

Reporting Period	Performance	Mkt Cap	FY	EPS Pre-Ex (S cts)	EPS Gth Pre-Ex (%)	EPS Revision	PE (x)	PBV (x)	Net Dividend Yield (%)
4Q 2011	In line	S\$170m	2011A	5.0	(12)	-	5.8	0.7	6.8
		US\$135m	2012F	6.5	31	-	4.5	0.6	6.7
			2013F	6.7	3	-	4.3	0.6	7.1

Result Summary

FY Dec (S\$ m)	4Q2010	4Q2011	y-o-y chg
P&L Items			
Sales	132.6	146.0	10.1
Gross Profit	37.7	36.3	(3.9)
EBIT	15.2	14.5	(4.8)
Exceptional Gain/(Loss)	0.0	1.2	N/A
Pretax Profit	19.3	16.6	(20.0)
Net Profit	13.9	12.9	(7.2)
EPS (S cts)	2.4	2.2	
Gross Margin (%)	28.5	24.8	
BS & CF Items			
Inventory DOS	96.2	102.3	
Receivables DOS	63.0	72.8	
Capex	14.4	48.1	
Net Cash/(Debt)	(31.6)	(59.9)	

Price Relative



Segment revenue S\$m

S\$m	4Q10	1Q11	2Q11	3Q11	4Q11
Distribution	94.8	94.3	97.8	97.5	99.6
Manufacturing	37.8	34.7	36.5	43.7	46.4
Total	132.6	129.0	134.3	141.2	146.0
QoQ%					
Distribution	5%	-1%	4%	0%	2%
Manufacturing	-10%	-8%	5%	20%	6%
Total	0%	-3%	4%	5%	3%
YoY%					
Distribution	17%	17%	10%	8%	5%
Manufacturing	21%	3%	14%	4%	23%
Total	18%	13%	11%	7%	10%

At a Glance

- **4Q11 and FY11 earnings in line with our estimates**
- **Volume sales to increase further**
- **Dividend payout maintained at 30%, implying yield of 6.8%**
- **Maintain Buy and S\$0.52 TP on attractive valuations**

FY11 earnings in line. FY11 earnings of S\$38.2m were in line with our estimate of S\$37.9m. Full year revenue growth of 10.2% was driven by the manufacturing business, with the Malaysian plant operating at full capacity to fulfill mainly ODM orders from Europe. Distribution revenues grew 9.9% y-o-y, below the 20% we were anticipating. But gross margins were better than expected at 23.7%. Dividend payout was 30% at 1.96 Scents, which yields 6.8% currently.

Sales volumes set to grow. We continue to be positive about YHI's volume sales in FY12 especially in distribution segment. We expect at least 10% volume sales growth across all tyre brands in FY12F, fuelled by 1) higher tyre allocation from Yokohama; 2) ramp up for Nitto tyres in China, HK, New Zealand and Australia; 3) ramp up for Advanti alloy rims at Michelin's 628 TyrePlus outlets in China; 4) continued volume sales growth of Neuton tyres. We expect wheel manufacturing to continue with high utilisation backed by strong European orders and demand in Malaysia. Middle term drivers for manufacturing include commencement of new manufacturing lines in China and Malaysia.

Compelling valuations, attractive yield, maintain Buy and TP S\$0.52. YHI trades at compelling valuations of 4.5x FY12F PE and an attractive dividend yield of 6.8%. Earnings risk for the stock is low. In our view, YHI's buy/sell model for distribution has little downside to margin as it sells through on a cost-plus basis. Furthermore, distribution dominates its revenue mix at c.70% vs c.30% for manufacturing. Hence, the risk of significant margin pressure from high aluminium prices is low. Maintain BUY and S\$0.52 TP based on 8x FY12F PE.

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Source: Company, DBS Vickers

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BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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