

# XMH Holdings (XMH SP)

Property - Real Estate

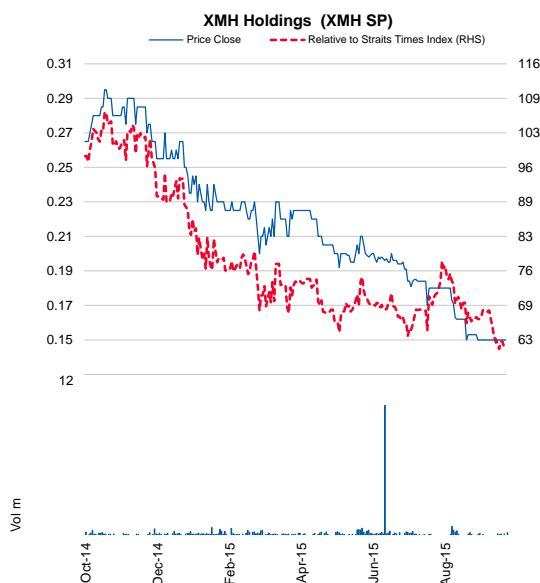
Market Cap: USD48.1m

**Buy** (Maintained)

 Target Price: **SGD0.24**

 Price: **SGD0.15**

## Vietnam Boom Buffering Indonesian Slump

 Macro   
 Risks   
 Growth   
 Value 


Source: Bloomberg

Avg Turnover (SGD/USD)	0.01m/0.01m
Cons. Upside (%)	60.0
Upside (%)	60.0
52-wk Price low/high (SGD)	0.15 - 0.30
Free float (%)	28
Share outstanding (m)	445
<b>Shareholders (%)</b>	
Tan Tin Yeow	42.6
Credence Capital Fund II	19.9
Tan Tum Beng	8.3

### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(41.2)	(2.0)	(22.7)	(31.8)	(44.5)
Relative	(30.9)	(7.2)	(12.7)	(17.3)	(40.2)

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We took XMH on a non-deal roadshow (NDR) last week. Maintain BUY with marginally lower SGD0.24 TP (from SGD0.25, 60% upside). Management was optimistic on Vietnam's shipbuilding boom where its engine products are seeing stellar growth. Indonesia deliveries were still slow, but we are beginning to see movement in long-awaited infrastructure projects, further supported by multiple rounds of economic stimulus packages.

- ◆ **Expansion into Vietnam more than fortuitous.** Last year, XMH saw potential in Vietnam as the country's relationship with China began to be impacted by maritime issues. As the country began boycotting Chinese suppliers while simultaneously ramping up its fishing vessel shipbuilding processes, the market for XMH's Japan-based Mitsubishi (8058 JP, NR) engines rode on a rising tide. Though coming from a small base, management expressed confidence that Vietnam is likely to become one of its most important markets in the coming years, alongside Indonesia.
- ◆ **Indonesian slump taking longer than expected to recover.** The Indonesian market began slowing down months before the 2014 elections, and expectations were for it to rebound shortly after the presidential inauguration. However, political infighting since then has led to continuing uncertainties and an economic slowdown. As a result, customers continue to delay taking receipt of engines ordered. However, as 2015 approaches its close and budgets have to be spent, projects are beginning to be green-lit. To be conservative, the lack of visibility here prompts us to trim earnings by 5%/4% for FY16F (Apr)/FY17F.
- ◆ **Overall, XMH is still a high ROIC business.** Even at its earnings trough last year, XMH still delivered 9.1% ROE and 7.4% ROIC, a laudable achievement for a company whose main market was stagnating. With stronger operational and geographical diversification today, XMH should enjoy a higher level of stability. Our TP is adjusted to SGD0.24, still based on 12x FY16F P/E. A turnaround in Indonesia is in sight, giving reason for optimism on the company successfully executing an operational rebound. Key risks are customer delivery deferrals and shifting political winds.

Forecasts and Valuations	Apr-14	Apr-15	Apr-16F	Apr-17F	Apr-18F
Total turnover (SGDm)	105	92	107	122	128
Reported net profit (SGDm)	6.1	5.3	8.9	11.2	12.2
Recurring net profit (SGDm)	11.2	7.5	8.9	11.2	12.2
Recurring net profit growth (%)	(1.6)	(33.3)	18.3	26.1	8.9
Recurring EPS (SGD)	0.03	0.02	0.02	0.03	0.03
DPS (SGD)	0.01	0.01	0.01	0.01	0.01
Recurring P/E (x)	5.79	8.68	7.53	5.97	5.48
P/B (x)	1.12	1.13	1.06	0.96	0.88
P/CF (x)	na	4.82	2.68	3.91	3.63
Dividend Yield (%)	8.0	5.3	7.3	8.4	9.1
EV/EBITDA (x)	3.13	7.05	6.38	4.44	3.84
Return on average equity (%)	11.9	9.1	14.7	16.9	16.8
Net debt to equity (%)	net cash	13.5	28.3	17.4	7.6
Our vs consensus EPS (adjusted) (%)			0.0	0.0	0.0

Source: Company data, RHB

## Financial Exhibits

<b>Profit &amp; Loss (SGDm)</b>	<b>Apr-14</b>	<b>Apr-15</b>	<b>Apr-16F</b>	<b>Apr-17F</b>	<b>Apr-18F</b>
Total turnover	105	92	107	122	128
Cost of sales	(78)	(64)	(76)	(86)	(90)
<b>Gross profit</b>	<b>27</b>	<b>28</b>	<b>32</b>	<b>36</b>	<b>38</b>
Gen & admin expenses	(9)	(10)	(15)	(15)	(15)
Selling expenses	(7)	(8)	(8)	(9)	(9)
Other operating costs	1	(2)	2	1	1
<b>Operating profit</b>	<b>13</b>	<b>9</b>	<b>10</b>	<b>14</b>	<b>15</b>
Operating EBITDA	14	11	14	18	20
Depreciation of fixed assets	(1)	(2)	(3)	(5)	(5)
<b>Operating EBIT</b>	<b>13</b>	<b>9</b>	<b>10</b>	<b>14</b>	<b>15</b>
Interest income	0	1	1	0	0
Interest expense	(0)	(0)	(1)	(1)	(1)
Exceptional income - net	(5)	(2)	-	-	-
<b>Pre-tax profit</b>	<b>7</b>	<b>7</b>	<b>10</b>	<b>13</b>	<b>14</b>
Taxation	(1)	(2)	(1)	(2)	(2)
Minority interests	-	(0)	(0)	(0)	(0)
<b>Profit after tax &amp; minorities</b>	<b>6</b>	<b>5</b>	<b>9</b>	<b>11</b>	<b>12</b>
<b>Reported net profit</b>	<b>6</b>	<b>5</b>	<b>9</b>	<b>11</b>	<b>12</b>
<b>Recurring net profit</b>	<b>11</b>	<b>7</b>	<b>9</b>	<b>11</b>	<b>12</b>

Source: Company data, RHB

<b>Cash flow (SGDm)</b>	<b>Apr-14</b>	<b>Apr-15</b>	<b>Apr-16F</b>	<b>Apr-17F</b>	<b>Apr-18F</b>
<b>Operating profit</b>	<b>13</b>	<b>9</b>	<b>10</b>	<b>14</b>	<b>15</b>
<b>Depreciation &amp; amortisation</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>5</b>	<b>5</b>
<b>Change in working capital</b>	<b>(17)</b>	<b>2</b>	<b>12</b>	<b>(0)</b>	<b>(0)</b>
Other operating cash flow	2	3	1	1	1
<b>Operating cash flow</b>	<b>(1)</b>	<b>15</b>	<b>26</b>	<b>19</b>	<b>20</b>
Interest received	(0)	0	(0)	(0)	(0)
Tax paid	(3)	(1)	(1)	(2)	(2)
<b>Cash flow from operations</b>	<b>(4)</b>	<b>14</b>	<b>25</b>	<b>17</b>	<b>18</b>
Capex	(1)	(25)	(31)	(5)	(5)
Other investing cash flow	3	(10)	-	-	-
<b>Cash flow from investing activities</b>	<b>2</b>	<b>(34)</b>	<b>(31)</b>	<b>(5)</b>	<b>(5)</b>
Dividends paid	(5)	(5)	(3)	(5)	(6)
Proceeds from issue of shares	9	0	-	-	-
Increase in debt	(1)	18	-	-	-
Other financing cash flow	0	(0)	-	-	-
<b>Cash flow from financing activities</b>	<b>2</b>	<b>13</b>	<b>(3)</b>	<b>(5)</b>	<b>(6)</b>
Cash at beginning of period	44	36	25	14	20
<b>Total cash generated</b>	<b>0</b>	<b>(8)</b>	<b>(10)</b>	<b>7</b>	<b>8</b>
Forex effects	(1)	(2)	-	-	-
<b>Implied cash at end of period</b>	<b>43</b>	<b>26</b>	<b>15</b>	<b>21</b>	<b>28</b>

Source: Company data, RHB

## Financial Exhibits

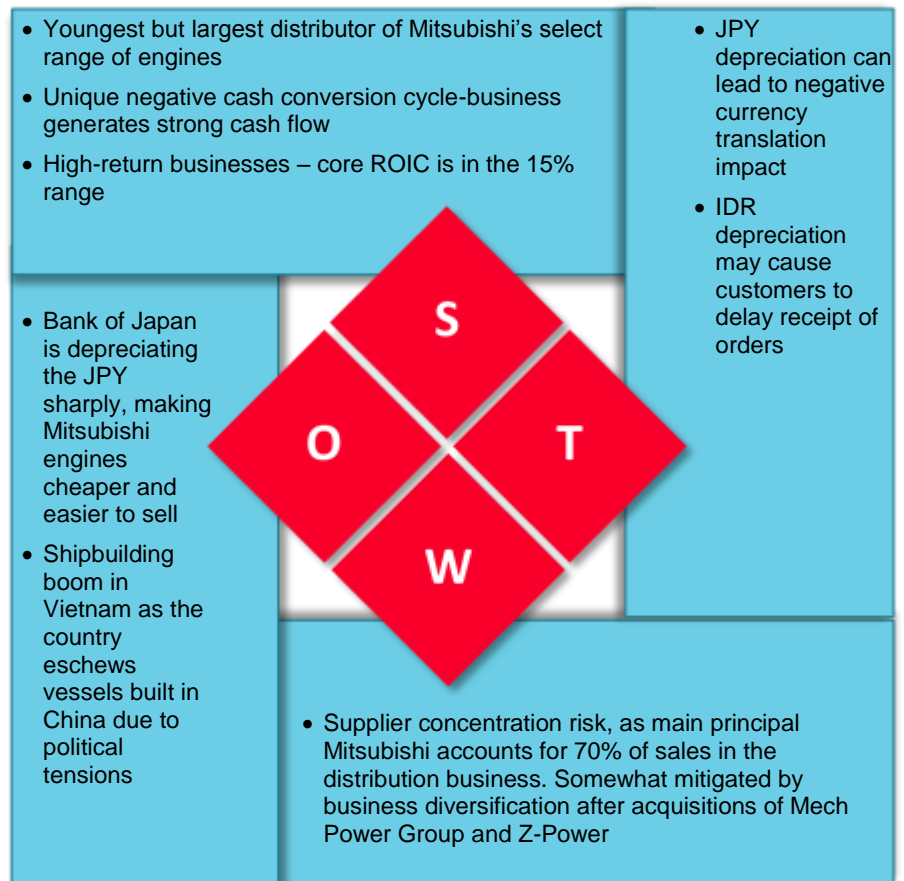
<b>Balance Sheet (SGDm)</b>	<b>Apr-14</b>	<b>Apr-15</b>	<b>Apr-16F</b>	<b>Apr-17F</b>	<b>Apr-18F</b>
Total cash and equivalents	36	25	14	20	27
Inventories	23	32	25	28	30
Accounts receivable	26	31	26	30	32
Other current assets	-	9	9	9	9
<b>Total current assets</b>	<b>85</b>	<b>97</b>	<b>75</b>	<b>88</b>	<b>97</b>
Tangible fixed assets	7	32	60	60	61
Total other assets	21	24	24	24	24
Total non-current assets	28	56	84	84	84
<b>Total assets</b>	<b>113</b>	<b>153</b>	<b>159</b>	<b>172</b>	<b>182</b>
Short-term debt	13	13	13	13	13
Accounts payable	29	50	50	56	59
Other current liabilities	1	2	2	2	2
<b>Total current liabilities</b>	<b>44</b>	<b>64</b>	<b>64</b>	<b>71</b>	<b>74</b>
Total long-term debt	1	20	20	20	20
Other liabilities	9	10	10	10	10
<b>Total non-current liabilities</b>	<b>10</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>
<b>Total liabilities</b>	<b>54</b>	<b>94</b>	<b>94</b>	<b>100</b>	<b>103</b>
Share capital	32	33	33	33	33
Retained earnings reserve	34	35	40	46	53
Other reserves	(8)	(10)	(10)	(10)	(10)
<b>Shareholders' equity</b>	<b>58</b>	<b>58</b>	<b>63</b>	<b>69</b>	<b>76</b>
Minority interests	-	2	2	2	2
Other equity	-	-	-	(0)	(0)
<b>Total equity</b>	<b>58</b>	<b>59</b>	<b>65</b>	<b>72</b>	<b>78</b>
<b>Total liabilities &amp; equity</b>	<b>113</b>	<b>153</b>	<b>159</b>	<b>172</b>	<b>182</b>

Source: Company data, RHB

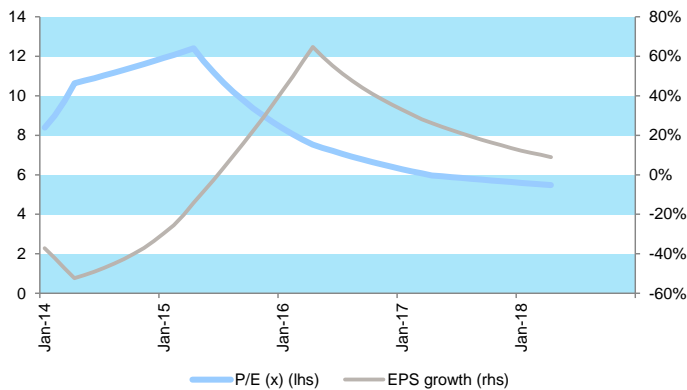
<b>Key Ratios (SGD)</b>	<b>Apr-14</b>	<b>Apr-15</b>	<b>Apr-16F</b>	<b>Apr-17F</b>	<b>Apr-18F</b>
Revenue growth (%)	7.7	(13.0)	17.4	13.5	5.0
Operating profit growth (%)	(11.6)	(30.8)	20.6	29.6	7.6
Net profit growth (%)	(46.4)	(14.2)	68.9	26.1	8.9
EPS growth (%)	(52.3)	(14.2)	64.7	26.1	8.9
BVPS growth (%)	17.1	(1.3)	6.7	10.0	9.5
Operating margin (%)	11.9	9.5	9.7	11.1	11.4
Net profit margin (%)	5.8	5.7	8.3	9.2	9.5
Return on average assets (%)	6.4	3.9	5.7	6.8	6.9
Return on average equity (%)	11.9	9.1	14.7	16.9	16.8
Net debt to equity (%)	(36.9)	13.5	28.3	17.4	7.6
DPS	0.01	0.01	0.01	0.01	0.01
Recurrent cash flow per share	(0.01)	0.03	0.06	0.04	0.04

Source: Company data, RHB

## SWOT Analysis

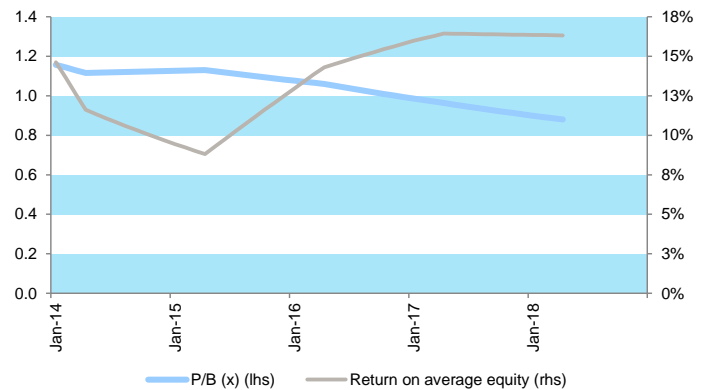


P/E (x) vs EPS growth



Source: Company data, RHB

P/BV (x) vs ROAE



Source: Company data, RHB

## Company Profile

XMH is an engine, propulsion and power-generating solutions provider in the marine and industrial sectors. It enjoys exclusive distributorships for multiple brands in multiple territories.

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2015-07-01	Buy	0.25	0.20
2015-03-17	Buy	0.30	0.22
2014-08-20	Buy	0.42	0.32
2014-06-25	Buy	0.41	0.31
2014-04-07	Buy	0.41	0.32
2014-04-04	Buy	0.41	0.32
2014-03-18	Buy	0.45	0.32
2013-12-20	Buy	0.50	0.35
2013-09-16	Buy	0.56	0.42
2013-09-09	Buy	0.55	0.43

Source: RHB, Bloomberg

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**Buy:** Share price may exceed 10% over the next 12 months

**Trading Buy:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

**Neutral:** Share price may fall within the range of +/- 10% over the next 12 months

**Take Profit:** Target price has been attained. Look to accumulate at lower levels

**Sell:** Share price may fall by more than 10% over the next 12 months

**Not Rated:** Stock is not within regular research coverage

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