

NeutralCurrent Price **S\$0.093**Fair Value **S\$0.114**
Up / (downside) **+22%****Stock Statistics**

Market cap	S\$42.2m
52-low	S\$0.082
52-high	S\$0.116
Avg daily vol	124,434
No of share	454.1m
Free float	55%

Key Indicators

ROE 13F	5.2%
ROA 13F	3.6%
P/BK	0.78x
Net gearing	9%

Major Shareholders

Qian Hu Holding	24.0%
Yap Family	20.2%

Historical Chart

Source: Bloomberg

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www.nrcapital.com**Breeding for yield**

- **Earnings below expectation.** Qian Hu's 4Q12 marginal loss of S\$49k came in below our S\$1.0m net profit estimate due to lower-than-expected revenue and higher-than-expected operating expenses. Given the worse than expected results, we have reduced our FY13-14 net profit forecast by 23-43% and introduce the FY15 forecast. However, we changed our fair value model from 10x FY13 PER to 1x FY13 P/NTA given the stock is not undemanding in near-term and supported by its 5-8% yield (a special dividend of 0.5 cents will be paying in October 2013, after receipt of second tranche of cash proceeds from the disposal of Kim Kang). As a result, our fair value changes from S\$0.10 to S\$0.114. Maintain **Neutral**. After lightening its fixed assets, we believe Qian Hu should be able to return to its 15 to 20% ROE in the longer-term.
- **Setting a new direction.** After completing the restructuring and refocusing its value chain, ornamental fish will continue to be an important core business activity of the group. Qian Hu is still the biggest exporter (with export to more than 80 countries) of ornamental fish capturing more than 5% of the world market share. Going forward, the group will focus on high-growth regions such as the Middle East, Eastern Europe, China and India. On accessories products, currently, the group exports to approximately 40 countries around the world. The group aims to cross sell its accessories products to existing ornamental fish customers, as well as expand through active marketing and participation in trade shows. Its LumiQ series of new generation fish tanks, with in-build docking stations and passive speaker systems, has won the Best New Products Award at the Australia Pet Expo held in October 2012.
- **4Q12 revenue advanced by 3% yoy to S\$19.8m**, led by higher contributions from its ornamental fish and accessories businesses which grew by 6.2% and 0.8% yoy respectively. Its plastic business revenue dropped marginally by 0.6% yoy.
- **EBITDA margins improved 1.1% pts yoy to 2.8%** due to the turnaround with profit contribution from its ornamental fish business. However, including higher SG&A expenses and taxation, pretax and net profit decreased by 70% and 106% yoy respectively.
- **Net gearing remained healthy.** Qian Hu generated S\$0.3m positive free cash flow in 4Q after improving its working capital requirement. Its net gearing has lowered from 10% in the previous quarter to 9.3%. As expected, Qian Hu has declared a lower first and final dividend of 0.2 cts (0.6 cts last year).

Key Financial Data

(S\$ m, FYE Dec)	2011	2012	2013F	2014F	2015F
Sales	88.3	84.4	89.6	93.8	96.6
Gross Profit	27.3	25.4	27.8	30.0	31.9
Net Profit	3.5	(9.1)	2.7	3.7	4.5
EPS (cents)	0.8	(2.0)	0.6	0.8	1.0
EPS growth (%)	(17.7)	(363.6)	129.5	38.0	20.8
PER (x)	12.2	nm	15.7	11.4	9.4
NAV/share (cents)	16.2	11.9	11.4	12.0	12.3
DPS (cents)	0.6	0.2	0.7	0.5	0.6
Div Yield (%)	6.5	2.2	7.5	5.4	6.5

Source: Company, NRA Capital estimates

Qian Hu Corporation

Results comparison

FYE Dec (S\$ m)	4Q12	4Q11	yoy % chg	3Q12	QoQ % chg	Prev. 4Q12F	Comments
Revenue	19.8	19.3	3	21.7	(9)	21.2	6% below expectation
Operating costs	(19.3)	(19.0)	2	(21.3)	(9)	(19.3)	In line
EBITDA	0.6	0.3	71	0.4	41	1.8	Below, lower-than-expected margins
<i>EBITDA margin (%)</i>	2.8	1.7		1.8	55	8.7	5.9% pt below expectation
Depn & amort.	(0.6)	(0.8)	(27)	(0.7)	(25)	(0.7)	Below
EBIT	(0.0)	(0.4)	(100)	(0.3)	(99)	1.2	Below, lower-than-expected sales and margins
Interest expense	(0.1)	(0.1)	(46)	(0.1)	(47)	(0.1)	In line
Interest & invt inc	0.2	1.0	(78)	(0.2)	198	0.1	Above due to forex gain
Associates' contrib	(0.0)	(0.0)	22	(0.0)	(15)	(0.0)	In line
Exceptionals	0.0	0.0	<i>nm</i>	(9.3)	<i>nm</i>	0.0	
Pretax profit	0.1	0.5	(70)	(10.0)	101	1.1	Below, lower-than-expected sales and margins
Tax	(0.1)	0.2	(153)	(0.1)	1	(0.2)	Below
Tax rate (%)	83.6	(46.7)		(1.2)	7,327	19.0	
Minority interests	(0.1)	0.2	(138)	0.0	(1,540)	0.0	
Net profit	(0.0)	0.9	(106)	(10.1)	(100)	1.0	Below, lower-than-expected sales and margins
EPS (cts)	(0.0)	0.2	(106)	(2.2)	(100)	0.2	

Source: NRA Capital estimates

Qian Hu Corporation

Profit & Loss (\$\$ m, FYE Dec)	2011	2012	2013F	2014F	2015F
Revenue	88.3	84.4	89.6	93.8	96.6
Operating expenses	(82.5)	(81.2)	(84.3)	(87.5)	(89.4)
EBITDA	5.8	3.3	5.3	6.4	7.2
Depreciation & amortisation	(2.9)	(2.7)	(1.8)	(1.7)	(1.7)
EBIT	2.9	0.5	3.5	4.6	5.5
Net interest & invt income	1.3	0.2	0.1	0.1	0.1
Associates' contribution	(0.1)	(0.1)	(0.0)	0.1	0.1
Exceptional items	0.0	(9.3)	0.0	0.0	0.0
Pretax profit	4.2	(8.7)	3.6	4.8	5.8
Tax	(0.6)	(0.5)	(0.6)	(0.8)	(1.0)
Minority interests	(0.1)	0.0	(0.3)	(0.3)	(0.3)
Net profit	3.5	(9.1)	2.7	3.7	4.5
Wt. shares (m)	454.1	454.1	454.1	454.1	454.1
Shares at year-end (m)	454.1	454.1	454.1	454.1	454.1
Balance Sheet (\$\$ m, as at Dec)	2011	2012	2013F	2014F	2015F
Fixed assets	42.0	16.1	14.0	16.8	18.3
Intangible assets	2.3	0.3	0.3	0.3	0.3
Other long-term assets	1.0	4.4	0.7	0.7	0.7
Total non-current assets	45.2	20.8	15.0	17.9	19.3
Cash and equivalents	8.6	8.3	10.2	12.7	11.4
Stocks	19.6	16.2	18.5	19.1	19.4
Trade debtors	31.5	32.1	29.6	26.3	27.1
Other current assets	1.1	0.5	0.5	0.5	0.5
Total current assets	60.7	57.1	58.8	58.7	58.4
Trade creditors	11.6	9.6	11.1	11.5	11.7
Short-term borrowings	15.7	13.0	9.9	9.4	8.7
Other current liabilities	0.6	0.5	0.6	0.8	1.0
Total current liabilities	27.8	23.2	21.6	21.7	21.3
Long-term borrowings	0.3	0.3	0.2	0.2	0.1
Other long-term liabilities	4.2	0.4	0.4	0.4	0.4
Total long-term liabilities	4.5	0.7	0.6	0.6	0.5
Shareholders' funds	63.4	52.5	49.8	52.1	53.4
Minority interests	10.2	1.6	1.9	2.1	2.4
NTA/share (\$\$)	0.13	0.11	0.11	0.11	0.12
Total Assets	105.9	77.9	73.8	76.5	77.7
Total Liabilities + S'holders' funds	105.9	77.9	73.8	76.5	77.7
Cash Flow (\$\$ m, FYE Dec)	2011	2012	2013F	2014F	2015F
Pretax profit	4.2	(8.7)	3.6	4.8	5.8
Depreciation & non-cash adjustments	0.1	13.0	2.8	0.5	(0.9)
Working capital changes	(2.1)	0.2	1.7	3.0	(0.9)
Cash tax paid	(0.5)	(0.9)	(0.5)	(0.6)	(0.8)
Others	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	1.7	3.6	7.6	7.7	3.1
Capex	(2.0)	(1.5)	(1.1)	(1.1)	(1.1)
Net investments & sale of FA	0.3	(0.1)	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Cash flow from investing	(1.7)	(1.6)	(1.1)	(1.1)	(1.1)
Debt raised/(repaid)	(0.4)	(2.7)	(3.2)	(0.5)	(0.7)
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Dividends paid	(2.3)	(2.7)	(0.9)	(3.2)	(2.3)
Cash interest & others	(0.4)	3.0	(0.5)	(0.5)	(0.5)
Cash flow from financing	(3.1)	(2.4)	(4.6)	(4.2)	(3.4)
Change in cash	(3.1)	(0.4)	1.9	2.5	(1.4)
Change in net cash/(debt)	(2.7)	2.3	5.1	3.0	(0.7)
Ending net cash/(debt)	(7.4)	(5.1)	0.0	3.0	2.3
KEY RATIOS (FYE Dec)	2011	2012	2013F	2014F	2015F
Revenue growth (%)	(3.1)	(4.4)	6.1	4.8	3.0
EBITDA growth (%)	(28.0)	(43.7)	62.2	20.3	13.3
Pretax margins (%)	4.7	(10.3)	4.0	5.1	6.0
Net profit margins (%)	3.9	(10.8)	3.0	4.0	4.6
Interest cover (x)	11.1	(21.4)	12.8	17.8	22.7
Effective tax rates (%)	13.2	(5.5)	17.0	17.0	17.0
Net dividend payout (%)	78.6	(9.9)	118.1	61.1	60.7
Debtors turnover (days)	130.0	138.7	120.5	102.2	102.2
Stock turnover (days)	117.1	100.3	109.5	109.5	109.5
Creditors turnover (days)	69.3	59.3	65.7	65.7	65.7

Source: Company, NRA Capital estimates

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