

# Analyse This...

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## Telechoice International

**Still no catalyst in sight**

 TLC SP  
 HOLD; TP: S\$0.21  
 3Q12 Results Note

 Price @14/11/12: S\$0.21  
 52-week range (S\$): 0.205 – 0.25  
 Market cap: S\$94.9m

### Results below expectation. Maintain HOLD.

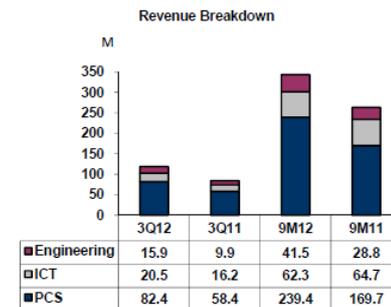
- **Key positive in 3Q12:**
  - 1) Balance sheet remains strong with Telechoice still maintaining its net cash position as cash flows from operations remained positive.
- **Key negatives:**
  - 1) Despite a 40.6% yoy increase, revenue of S\$118.8m was still below what we expected. 9M12 revenue of S\$343.2m formed only 67% of our full year forecast for FY12. As consumers held back on iPhone purchases in August and most of September in anticipation of the new iPhone 5.
  - 2) With the lower than expected revenue and higher than expected operating expenses net profit was also lower than expected. 9M12 net profit made up only 56% of our full year forecast.
- **Outlook.** Based on our discussion with management, the order book for Telechoice's engineering division remains healthy as operators are still rushing to roll out LTE networks. Business at its ICT division, which performed below par this year, on the other hand, will remain challenging as the economic slowdown has caused Telechoice's customers in the financial services sector to cut back on spending. The PCS division which saw some hold backs in iPhone purchases by consumers in 3Q12, in anticipation of the newer iPhone 5 is expected to do better in 4Q12, however, its much lower margins than before remains a challenge for the group. Overall, Telechoice expects the 4Q12's operating performance to be better than the past three quarters but FY12 to be lower than FY11's operating performance.
- **Estimates trimmed; Maintain HOLD.** We keep our revenue forecasts for FY12-14 and gross margin assumptions, but raised our estimates for operating expenses. As a result, our net profit estimates for FY12-14 is reduced by 16-23%. Despite its challenging prospects, we take comfort that Telechoice still has got a strong balance sheet; and its dividend yields still remain decent. Our target price remains unchanged at S\$0.21, as we roll over our valuation year to CY14 with an unchanged P/E multiple of 8.3x, given its largely unchanged prospects going forward. Share price should be supported by its still decent projected dividend yield of 4.9% for FY12.

### 3Q12 result at a glance

In S\$'M	3Q12	3Q11	+/- %	9M12	9M11	+/- %
Revenue	118.8	84.5	40.6	343.2	263.2	30.4
Gross Profit ("GP")	10.2	8.3	22.2	29.6	27.7	7.1
Gross margin	8.6%	9.9%	-1.3ppt	8.6%	10.5%	-1.9ppt
Profit before tax ("PBT")	2.3	1.8	32.7	6.3	7.7	-17.6
PBT margin	2.0%	2.1%	-0.1ppt	1.8%	2.9%	-1.1ppt
Profit attributable to equity holders	1.8	1.3	37.5	4.8	6.0	-19.3
Earnings per share (diluted) based on weighted average number of ordinary shares (in cents)	0.40	0.29	-	1.07	1.32	-
Cash balances	44.6	42.4	-	44.6	42.4	-
				As at 30.09.12	As at 31.12.11	
Total equity for the Group				69.7	73.7	
Net asset value per share (in cents)				15.06	15.93	

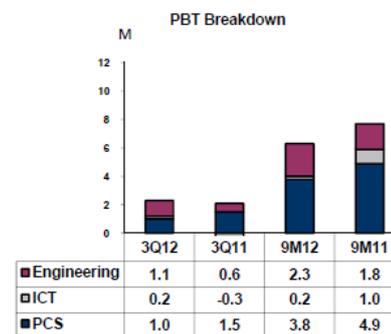
Source: Company

### Revenue breakdown (S\$m)



Source: Company

### PBT breakdown (S\$m)



Source: Company

### Financial summary

FYE Dec	2010	2011	2012F	2013F	2014F
Revenue (S\$ m)	327.5	389.6	510.7	574.8	626.7
yoy growth (%)	19.6	19.0	31.1	12.6	9.0
EBITDA (S\$ m)	15.9	12.3	12.2	15.6	17.7
EBITDA margins (%)	4.9	3.2	2.4	2.7	2.8
Pretax profit (S\$ m)	14.7	9.1	8.8	12.3	14.8
Net profit (S\$ m)	12.4	6.6	6.6	9.4	11.4
yoy growth (%)	9.0	(47.1)	0.8	41.5	21.9
EPS (S cts)	2.7	1.5	1.5	2.1	2.5
EPS growth (%)	8.9	(47.0)	0.7	41.5	21.9
P/E (x)	7.7	14.5	14.4	10.2	8.3
Core EPS (S cts)	2.7	2.4	1.5	2.1	2.5
Core EPS growth (%)	8.9	(11.5)	(39.8)	41.5	21.9
Core P/E (x)	7.7	8.7	14.4	10.2	8.3
FD EPS (S cts)	2.7	1.4	1.5	2.1	2.5
FD P/E (x)	7.7	14.5	14.4	10.2	8.3
Gross DPS (S cts)	1.8	1.6	1.0	1.4	1.8
Dividend yield (%)	8.6	7.6	4.9	6.9	8.4
P/NTA (x)	1.5	1.8	1.7	1.6	1.5
NTA/sh (S cts)	14.0	12.0	12.7	13.5	14.4
BVPS (S cts)	16.4	15.9	16.4	17.1	17.8
ROE (%)	17.3	9.0	9.0	12.3	14.4
Net gearing (%)	net cash				
Net cash per share (S cts)	5.6	3.2	2.5	2.2	2.6
P/CF (x)	7.0	9.5	10.0	7.7	6.9
EV/EBITDA (x)	5.1	6.6	6.6	5.2	4.6

Source: Company, CIMB

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