

Singapore

Result Analyser

DBS Group Research . Equity

27 Apr 2007

Bright World (BWPM SP)

Shining even brighter

S\$0.49

BUY

Price Target : S\$ 0.62

Reporting Period	Performance	Mkt Cap	FY	EPS (S cts)	EPS Revision	PE (x)	PBV (x)	Net Dividend Yield (%)
1Q 2007	In line with expectation	S\$196m US\$129m	2007 2008	6.8 8.5	- -	7.2 5.8	1.8 1.4	4.2 5.2

Comment on Results

BWPM registered another quarter of strong earnings growth. Net profit surged almost 40% y-o-y to RMB22m on sales growth of 33%, fuelled by increased sales volume of both conventional and high performance stamping machines.

Gross margin and net margin expanded 1.3ppt and 0.9ppt respectively as the Group continues to improve its product mix towards high performance machines.

Outlook

Looking into 2Q07, we remain upbeat on the company in view of China's continued buoyant industrial growth and firm economic growth.

In the longer-term, outlook is even more exciting. The new plant will be completed by 3Q07 and expected to double BWPM's capacity by end of 2008. It will be equipped to produce higher tonnage machinery of up to 2,000 tonnes vs 1,000 tonnes currently, allowing BWPM to provide a wider range of machines to the automobile industry, tapping on one of China's fastest growth industry.

BWPM is also expanding its product range via the newly incorporated wholly-owned subsidiary, Bright World Heavy Machine Tools, which is primarily engaged in sales and manufacturing of heavy machines tools such as cutting machines, bending machines and CNC machine tools for long term growth.

Recommendation

This set of promising results lifts our confidence on BWPM's execution capability to deliver 30% sales CAGR and sustain >20% net margin level. Despite recent strong performance in share price, current valuation remains attractive at 7x FY07 earnings. Reiterate BUY. We maintain our target price of S\$0.62, pegged to 9x FY07 earnings.

ANALYST: Pei Hwa Ho +65 6398 7968. PeiHwa@dbsvivckers.com
Ai Teng Tan +65 6398 7967. AiTeng@dbsvivckers.com

BrightWorld: A director of DBSVR and the CEO of DBSVS is an independent director of the covered company.

www.dbsvickers.com

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 **DBS VICKERS SECURITIES**

Results Summary

FY Dec (m)	1Q06	1Q07	%yoy	Comments
Sales	78.4	104.4	33%	Increased sales volume in both conventional and high performance stamping machines
Cost of Goods Sold	(51.2)	(66.8)	30%	
Gross Profit	27.2	37.6	38%	
Other Operating Income	0.7	2.0	207%	
<i>Distribution Costs</i>	(7.3)	(8.7)	18%	
<i>Administration Expenses</i>	(1.7)	(3.9)	128%	Mainly due to listing expense
<i>Others</i>	(0.5)	(1.5)	206%	
Other Operating Expenses	(9.5)	(14.1)	48%	
EBIT	18.3	25.6	40%	
Interest Income	0.0	0.6	nm	
Interest Expense	(0.3)	(0.7)	142%	
Pretax Profit	18.1	25.3	40%	
Tax	(2.2)	(3.2)	46%	
Net Profit	15.9	22.2	39%	

Margins

Gross Margins	34.7%	36.0%	Increased sales volume of its high performance stamping machines, which command higher margins.
SGA% Sales	12.2%	13.5%	
EBIT Margin	23.4%	24.5%	
Net Margin	20.2%	21.2%	

Source: Company, DBS Vickers

Share Price Chart



Source: DBS Vickers

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DBS Vickers Research (Singapore) Pte Ltd – 8 Cross Street, #02-01 PWC Building, Singapore 048424
Tel. 65-6533 9688, Fax: 65-6226 8048
Company Regn. No. 198600295W