

MITA No. 030/06/2006

30 April 2007

Bright World Precision Mach Ltd

Maintain

BUY

Previous Rating: BUY

S\$0.475

Fair Value: S\$0.65

Stock Code:

Reuters:

BWRL.SI

Bloomberg:

BWPM.SP

Event:

Results

General Data

Issued Capital (m)	400
Mkt Cap (S\$m/US\$m)	190 / 125
Major Shareholder	Kim Pan (74.2%)
Free Float (%)	19.7
NTA per share (RMB)	1.11
Daily Vol 3-mth ('000)	1,652
52Wk High (S\$)	0.735
52Wk Low (S\$)	0.340

Refreshing 1Q07 results

Refreshing 1Q07 results. Bright World Precision Machinery (BWPM) reported a more upbeat set of 1Q07 results, which should make up for the disappointing one in 4Q06. Revenue jumped 33.1% YoY to RMB104.4m, while net profit surged 39.5% to RMB22.2m, thanks to a higher sales mix of high performance versus conventional stamping machine. We understand the high-performance machines grew 54.2% as compared to 21.7% for conventional machines. With the first half being traditionally weaker in terms of sales, we are not surprised to see a 17.9% QoQ fall in 1Q revenue and a 37.8% slide in earnings. Nevertheless, we are pleased to note all-round improvement in margins. Gross margin has improved from 34.7% to 36%, operating from 22.5% to 24.5%, and net from 20.2% to 21.2%. In fact, these margins have not only matched but also exceeded some of the 2Q06 numbers.

2Q07 outlook remains robust. Management did not give any guidance for 2Q07, but we view the current rolling order book of RMB80m on hand as positive. We also understand that BWPM gets an average of RMB4m of new orders daily and even with the company running two 12-hour shifts, versus just 1.5 shifts the same quarter last year, there is still a backlog of orders waiting to be cleared. And again, management reveals the fast growing customer segment is automotive, which bodes well as these customers tend to order the high performance and heavier tonnage machines. As such, we believe that BWPM is on track to achieve the same level of double-digit YoY growth in 2Q.

Beefing up on growth. Going forward, BWPM will continue to focus on high performance as well as heavier tonnage machines. And to facilitate this, it has recently incorporated a wholly-owned subsidiary (Bright World Heavy Machine Tools - BWHMT) to manufacture and sell heavy machine tools including board cutting machines, bending machines, CNC stamping machines and other CNC machine tools. We understand that BWHMT is already in talks with several customers to secure orders and has a target to generate at least RMB50m of sales this year.

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Keeps BUY, S\$0.65 fair value. As BWPM has indicated that it would be spending just RMB60m on capex for this year and likely the next, instead of the RMB100m expected, our DCF-based fair value of S\$0.57 has been revised upwards to S\$0.65. We maintain our **BUY** call.

Year to 31 Dec	Turnover (RMB m)	EBITDA (RMB m)	Net Profit (RMB m)	EPS (RMB cents)	EPS Growth (%)	PER (x)	Net Div Yield (%)
FY 05	321.4	104.2	96.3	24.1	-3.1	10.0	4.0
FY 06	449.3	141.8	115.8	28.9	20.3	8.4	3.6
FY 07F	568.4	178.1	141.1	35.3	21.8	6.9	4.4
FY 08F	711.6	215.6	168.7	42.2	19.6	5.7	5.2

Please refer to the important disclosures at the back of this document.

Bright World's Key Financial Data

Bright World Results Year Ended 31 Dec (RMB m)	1Q06 (RMBm)	1Q07 (RMBm)	% Chg (YoY)	4Q06 (RMBm)	% Chg (QoQ)
Revenue	78.4	104.4	33.1%	127.1	-17.9%
Operating expenses	-9.5	-14.1	47.7%	-11.8	18.9%
EBITDA	21.1	29.9	41.4%	44.1	-32.3%
Depreciation & amortisation	-3.5	-4.3	24.2%	-4.2	3.1%
Operating Profit	17.7	25.6	44.8%	39.9	-36.0%
Net interest	-0.3	-0.2	-12.4%	0.4	nm
Associates	0.0	0.0	nm	0.0	nm
Exceptionals	0.0	0.0	nm	0.0	nm
Pre-tax profit	18.1	25.3	40.3%	40.4	-37.2%
Tax	-2.2	-3.2	46.2%	-4.7	-32.7%
Minority interests	0.0	0.0	nm	0.0	nm
Net profit	15.9	22.2	39.5%	35.6	-37.8%
Net margin	20.2%	21.2%	4.8%	28.0%	-24.2%

EARNINGS FORECAST

Year Ended 31 Dec (RMB m)	FY05	FY06	FY07F	FY08F
Revenue	321.4	449.3	568.4	711.6
EBITDA	104.2	141.8	178.1	215.6
Depreciation & amortisation	-9.9	-14.4	-18.9	-24.9
Operating Profit	94.3	127.4	159.2	190.7
Net interest	-0.5	-0.2	-0.4	-0.4
Associates	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0
Pre-tax profit	96.3	131.9	161.2	192.8
Tax	0.0	-16.1	-20.2	-24.1
Minority interests	0.0	0.0	0.0	0.0
Net profit	96.3	115.8	141.1	168.7
Earnings per share (RMB cents)	24.1	28.9	35.3	42.2
Fully diluted earnings per share (RMB cents)	24.1	28.9	35.3	42.2

BALANCE SHEET

As at 31 Dec (RMB m)	FY05	FY06	FY07F	FY08F
Cash	32.2	117.2	184.4	234.4
Other current assets	176.6	297.1	337.1	411.5
Fixed assets	141.4	169.9	210.1	246.5
Other long term assets	0.0	21.8	21.4	20.9
Total assets	350.1	605.9	753.0	913.3
Current liabilities less debt	107.7	101.8	142.5	176.5
Debt	20.0	40.0	40.0	40.0
Other long term liabilities	0.0	0.0	0.0	0.0
Total liabilities	127.7	141.8	182.5	216.5
Shareholders equity	222.4	464.1	570.4	696.8
Minority interests	0.0	0.0	0.0	0.0
Total equity and liabilities	350.1	605.9	753.0	913.3
NTA per share (RMB cents)	55.6	110.6	137.3	169.0

CASH FLOW

Year Ended 31 Dec (RMB m)	FY05	FY06	FY07F	FY08F
Operating profit before working cap. changes	106.6	146.6	180.6	218.1
Working capital changes	-40.6	-132.9	-14.6	-44.4
Interest and tax	-0.4	-11.6	-20.6	-24.5
Net cash from operations	65.5	2.1	145.4	149.3
Capex	-47.7	-42.9	-60.0	-60.0
Other investing flows	0.1	-21.8	16.6	3.1
Investing cash flow	-47.6	-64.7	-43.4	-56.9
Change in equity	83.3	164.3	0.0	0.0
Net change in debt	20.0	20.0	0.0	0.0
Dividends paid	0.0	-38.4	-34.7	-42.3
Others	-110.3	17.6	0.0	0.0
Financing cash flow	-7.0	163.6	-34.8	-42.3
Net cash flow	10.9	100.9	67.2	50.0
Cash at beginning of year	5.3	32.2	117.2	184.4
Add: Bank overdraft and fixed deposit pledged to banks	16.0	-16.0	0.0	0.0
Cash at end of year	32.2	117.2	184.4	234.4

Key Ratios

PER (x)	10.0	8.4	6.9	5.7
Price/NTA (x)	4.3	2.2	1.8	1.4
EV/EBITDA (x)	9.2	6.3	4.6	3.6
Dividend yield (%)	4.0	3.6	4.4	5.2
ROIC (%)	39.7	23.0	23.1	22.9
ROE (%)	43.3	24.9	24.7	24.2
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash
PE to growth (x)	nm	0.4	0.3	0.3

Source: Company data, OIR estimates

SHAREHOLDING DECLARATION:

The analyst/analysts who wrote this report holds NIL shares in the above security.

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