

GRAND BANKS YACHTS

BUY

Share Price:	S\$0.685
Target Price:	S\$1.49 (S\$1.05 previously)
Upside:	+117.5%

COMPANY DESCRIPTION

Grand Banks Yachts is a renowned manufacturer of luxury recreational motor yachts that manufactures in Malaysia and sells to main markets America and Australia. GBY is now moving to expand in Europe.

Name	GRAND BANKS YACHTS
Bloomberg Code	GBY SP EQUITY
3M Avg Daily Trading Vol (K)	36.5
3M Avg Daily Trading Val (\$'000)	24.5
Major Shareholder / Holdings	Lim Kok Thay (28.2%) Willimbury Pty Ltd (15.3%) Arminella Pty Ltd (10.0%) Mark Richards (6.6%)
Shares Outstanding (m)	186.6
Market Capitalisation (\$m)	128.7
52 week Share Price High/Low	S\$0.88 / S\$0.48

STOCK PRICE PERFORMANCE

Absolute Return (%)	1M	3M	12M
	1.5	0.7	43.7

PRICE CHART



Source : Bloomberg

Temporary Pain For Long Term Gain

The value of GBY is driven by its brand equity, which is difficult to fully capture through conventional valuation metrics. As a result, earnings can appear volatile due to delivery timing, product mix and the sizeable CapEx cycle that has now largely been deployed, even though the underlying business remains strong.

Despite increased attention on Singapore's SMID space following EQDP initiatives, GBY remains undiscovered and continues to trade at a significant discount. With today's uncertain macro/geopolitical environment, there remains the possibility of a strategic privatization at valuations that may not fully reflect GBY's brand value, particularly as near-term earnings and balance sheet metrics may be temporarily depressed by continued investments into brand building, global expansion, marketing initiative.

We also think the recent big investment cycle (~\$50m/c.40% of market cap) as part of a longer-term expansion strategy aimed at strengthening brand equity, expanding production capacity and enhancing GBY's LT earnings power. This substantial investment has impacted GBY's balance sheet and ST earnings profit. However, these investments have already begun yielding results through increased production capacity, stronger global brand visibility and growing contribution from higher-value models.

Importantly, GBY's direct-to-consumer, built-to-order model remains resilient, with customers typically making progressive upfront payments throughout the construction process, supporting working capital visibility while also allowing GBY to continuously refine future models through direct customer feedback. As these investments mature, we expect operating leverage and profitability to improve over the medium to long term.

While we believe GBY is positioning itself for a stronger earnings profile over the coming years, the exact timing of this inflection remains difficult to pinpoint given Mgmt's continued willingness (rightfully so) to prioritise longer-term franchise building over near-term earnings optimisation. As such, we believe there is substantial value in GBY despite the potential weaker near-term performance, and that the gestation period for these investments is nearing completion. As these investments mature, we think the gap between cost-inflated trailing earnings and normalized earning power should close in the next few years.

Accordingly, we maintain our BUY recommendation on GBY with a target price of S\$1.49, based on a blended 14.8x forward P/E, representing a 20% discount to listed yacht peers, which we believe appropriately reflects GBY's smaller market cap, limited liquidity and the temporary earnings distortions arising from its ongoing expansion investments.

KEY FINANCIALS

Jun YE	FY24	FY25	FY26F	FY27F	FY28F
Revenue (\$m)	133.7	162.3	174.0	175.0	191.0
EBITDA (\$m)	34.8	31.3	23.4	32.0	42.4
EBITDA Margin (%)	26.1	19.3	13.4	18.3	22.2
Net Income (\$m)	21.4	18.2	12.0	18.3	26.0
Net Profit Margins (%)	16.0	11.2	6.9	10.5	13.6
P/E (x)	6.0	7.0	10.6	7.0	4.9
P/B(x)	1.5	1.3	1.2	1.0	0.9
ROE (%)	24.5	17.8	10.9	14.8	18.0
EPS (\$)	11.4	9.6	6.5	9.8	13.9
EPS Growth (%)	112	-15.8	-32.8	52.3	41.8
DPS (\$)	1.5	2.0	1.0	1.5	2.0
Dividend Yield (%)	2.2	2.9	1.5	2.2	2.9

Source: Lim & Tan Research

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