



XMH Holdings is a Singapore-based supplier of marine and industrial diesel engines and generators. Buy, stag or avoid?

Upsides

- Distributes 7 product brands across a wide product range.
- Largest worldwide distributor of Mitsubishi marine engines since 2005
- Gross margins improved from 18% to about 28% in the past 3-years
- Current order book of S\$72.4m is almost one year worth of sales in 2010
- Attractive P/E of around 5{loadposition advert1}

Downsides

- Net-asset value pre-IPO is just 2.9c per share. At NAV of 7.0c post-IPO, issue price of 25c is 3.6 times NAV
- Business model as a distributor entails little proprietary intellectual property
- Market capitalization of S\$100m puts it outside the radar of most institutional investors{loadposition advert1}

Similar to

- MTQ (which has an engine division)

Conclusion

- Neutral. IPO offer closes on 24 Jan 2011.

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