

ASTI Holdings

4Q10 results update

Strong Buy (upgrade)

Current Price S\$0.10
24 February 2011

Fair Value S\$0.22

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Historical Chart

Source: Bloomberg

Stock Statistics

Market Cap	S\$53.6m
52-HI	S\$0.125
52-LOW	S\$0.065
Avg Vol (1 yr)	1,933,069
Shares Outstanding	536.0m
Free Float	393m

Key Indicators

ROE 11F	11.4%
ROA 11F	5.0%
P/BK	0.63
Net gearing	0.05x

Major Shareholders

Michael Loh S.G.	20.2%
Heah Theare Haw	6.5%

Expect growth to normalise in 2011

- **Results within expectation.** Higher-than-expected sales was offset by lower-than-expected gross profit margins, but including the \$1.3m tax refund (higher tax provision in the earlier three quarters), 4Q10 net profit of S\$2.8m was in line with our forecast of S\$3m.
- **4Q10 sales declined 13% yoy to S\$106m** due to softer demand for its backend equipment solutions & technologies (BEST), -30% yoy. BEST accounts for 25% of total sales (31% in 4Q10). Drop in distribution & services business (-5.5% yoy) was mainly due to exclusion of the business from the Taiwan subsidiaries, disposed at the beginning of 2010.
- **EBITDA margins contracted by 4.9% pts yoy** to 3.9% in 4Q10, due mainly to lower contribution from BEST division, which generated higher margins. Including a S\$0.8m negative interest income due to re-classification for its disposal subsidiary, lower financial expenses and S\$1.3m tax refund, 4Q10 pretax and net profit jumped 203% and 515% yoy, respectively.
- **The group declared a final and special dividend of 0.7cts** despite generating S\$7.4m negative FCF in FY10 due to increased capex spending and working capital requirement. However, after it disposed its loss making subsidiaries, net gearing fell to 4.6% from 16.8% in the previous year. We believe ASTI should be able to maintain its dividend going forward with its minimal capex requirements and stronger balance sheet.
- **1Q is usually the weaker quarter.** We expects the semiconductor equipment will revert to its normal seasonal pattern in 2011, with declining revenue in the first quarter followed by improving sales that will reach a peak in the third quarter. After a strong more than 30% yoy growth for global semiconductor revenue last year, iSuppli now predicts 5.1% yoy growth in 2011. The long-term growth expectation is for average annual growth of slightly more than 4% between 2010 and 2014.
- **Upgrade to Strong Buy.** We maintain our FY11 earnings forecasts and raised FY12 by 14% to factor in higher sales. We have also introduced the FY13 forecast. After factoring in the dividend payout, our fair value slipped by 1ct to S\$0.22, still based on 1.2x P/NTA FY11. This implies 8x FY11 PER. The current price also implies an attractive yield of 7-12%. Given its 120% upside with more stable outlook now, we upgrade the stock to **STRONG BUY** from BUY.

Key Financial Data

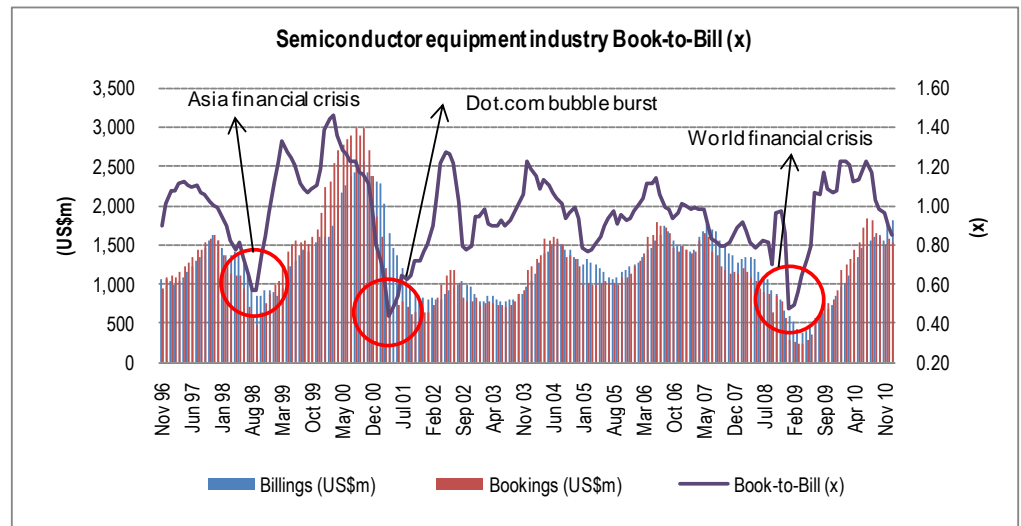
(S\$ m, FYE Dec)	2009	2010	2011F	2012F	2013F
Sales	428.7	426.9	476.2	523.8	576.2
Gross Profit	71.4	82.3	90.5	99.5	109.5
Net Profit	(3.7)	14.2	13.6	15.4	17.2
EPS (cents)	(0.7)	2.6	2.5	2.9	3.2
EPS growth (%)	(75.8)	484.8	(4.1)	13.0	11.8
PER (x)	nm	3.8	3.9	3.5	3.1
NTA/share (cents)	14.0	15.9	17.7	19.8	22.0
DPS (cents)	0.0	0.7	1.0	1.1	1.2
Div Yield (%)	0.0	7.0	9.5	10.7	11.9

Source: Company, NRA Capital

Results comparison

FYE Dec (S\$ m)	4Q10	4Q09	yoy % chg	3Q10	qoq % chg	Prev. 4Q10F	Comments
Revenue	106.4	122.4	(13)	111.2	(4)	98.9	8% above expectation
Operating costs	(102.3)	(111.6)	(8)	(102.1)	0	(92.0)	Above, higher-than-expected sales
EBITDA	4.2	10.8	(61)	9.1	(54)	6.9	Below, lower-than-expected gross margins
EBITDA margin (%)	3.9	8.8		8.2		7.0	Below
Depn & amort.	(1.8)	(2.5)	(26)	(1.8)	(0)	(3.2)	Below, fix asset disposal
EBIT	2.4	8.3	(72)	7.2	(67)	3.7	Below, lower-than-expected gross margins
Interest expense	(0.8)	(1.3)	(34)	(1.1)	(21)	(0.8)	In line
Interest & invt inc	0.4	1.2	(64)	(0.6)	175	0.8	Below, negative interest income due re-classification for its disposal subsidiary
Associates' contrib	(0.0)	0.0	(225)	0.0	(600)	0.2	
Exceptionals	(0.3)	(9.8)	(97)	0.0	nm	0.0	Impairment loss on unquoted invt securities
Pretax profit	1.6	(1.6)	203	5.6	(71)	3.9	Below, lower-than-expected gross margins
Tax	1.3	(0.9)	247	(1.0)	238	(0.7)	Below, tax refund
Tax rate (%)	(82.1)	(57.6)		17.2		17.4	
Minority interests	(0.1)	2.9	(104)	(0.3)	(63)	(0.3)	Below
Net profit	2.8	0.5	515	4.4	(35)	3.0	In line
EPS (cts)	0.5	0.1	515	0.8	(35)	0.6	

Source: NRA Capital estimates



Source: SEMI, only North America-based manufacturers of semiconductor equipment

Profit & Loss (S\$ m, FYE Dec)	2009	2010	2011F	2012F	2013F
Revenue	428.7	426.9	476.2	523.8	576.2
Operating expenses	(408.7)	(398.9)	(448.7)	(494.4)	(544.8)
EBITDA	20.0	28.0	27.5	29.4	31.4
Depreciation & amortisation	(11.0)	(8.2)	(7.7)	(7.6)	(7.5)
EBIT	9.0	19.7	19.8	21.7	23.9
Net interest & invt income	(4.1)	(3.2)	(2.1)	(1.8)	(1.8)
Associates' contribution	(0.1)	(0.0)	(0.0)	0.0	0.2
Exceptional items	(9.8)	(0.1)	0.0	0.0	0.0
Pretax profit	(5.0)	16.4	17.7	20.0	22.3
Tax	(2.5)	(1.7)	(3.5)	(4.0)	(4.5)
Minority interests	3.8	(0.5)	(0.5)	(0.6)	(0.6)
Net profit	(3.7)	14.2	13.6	15.4	17.2
Wt. shares (m)	536.0	536.0	536.0	536.0	536.0
Shares at year-end (m)	536.0	536.0	536.0	536.0	536.0

Balance Sheet (S\$ m, as at Dec)	2009	2010	2011F	2012F	2013F
Fixed assets	28.4	27.3	25.9	24.6	23.4
Intangible assets	13.1	11.4	10.8	10.3	9.8
Other long-term assets	2.7	1.9	1.9	2.0	2.0
Total non-current assets	44.2	40.6	38.7	36.9	35.2
Cash and equivalents	45.1	56.6	51.9	53.6	60.4
Stocks	46.6	48.5	54.0	59.4	65.3
Trade debtors	97.9	103.4	110.9	121.9	134.1
Other current assets	51.2	33.4	34.3	35.3	36.6
Total current assets	240.9	241.8	251.0	270.2	296.5
Trade creditors	21.6	24.0	28.6	31.4	34.6
Short-term borrowings	56.3	55.4	47.6	47.1	51.9
Other current liabilities	99.4	76.8	79.4	83.4	87.6
Total current liabilities	177.2	156.1	155.6	161.9	174.1
Long-term borrowings	5.7	6.6	4.7	4.7	4.9
Other long-term liabilities	2.0	1.5	1.5	1.5	1.5
Total long-term liabilities	7.7	8.1	6.2	6.3	6.4
Shareholders' funds	88.0	96.6	105.8	116.2	127.8
Minority interests	12.2	21.6	22.1	22.7	23.4
NTA/share (S\$)	0.14	0.16	0.18	0.20	0.22
Total Assets	285.1	282.4	289.8	307.2	331.6
Total Liabilities + S'holders' funds	285.1	282.4	289.8	307.2	331.6

Cash Flow (S\$ m, FYE Dec)	2009	2010	2011F	2012F	2013F
Pretax profit	(5.0)	16.4	17.7	20.0	22.3
Depreciation & non-cash adjustments	17.4	8.7	9.7	10.0	10.0
Working capital changes	14.4	(26.4)	(8.8)	(13.9)	(15.6)
Cash tax paid	(2.0)	(2.3)	(3.9)	(2.8)	(3.1)
Others	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	24.8	(3.5)	14.8	13.2	13.7
Capex	(2.1)	(3.9)	(5.0)	(5.0)	(5.0)
Net investments & sale of FA	4.1	11.1	0.0	0.0	0.0
Others	(1.8)	6.2	0.0	0.0	0.0
Cash flow from investing	0.2	13.4	(5.0)	(5.0)	(5.0)
Debt raised/(repaid)	(22.4)	(1.7)	(9.7)	(0.4)	4.9
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	(3.8)	(5.1)	(5.7)
Cash interest & others	(12.2)	1.5	(1.0)	(1.0)	(1.0)
Cash flow from financing	(34.6)	(0.1)	(14.4)	(6.5)	(1.9)
Change in cash	(9.5)	9.8	(4.6)	1.6	6.8
Change in net cash/(debt)	12.8	11.4	5.0	2.1	1.9
Ending net cash/(debt)	(16.8)	(5.4)	(0.4)	1.7	3.6

KEY RATIOS (FYE Dec)	2009	2010	2011F	2012F	2013F
Revenue growth (%)	(16.9)	(0.4)	11.6	10.0	10.0
EBITDA growth (%)	347.5	39.9	(1.7)	6.7	7.0
Pretax margins (%)	(1.2)	3.8	3.7	3.8	3.9
Net profit margins (%)	(0.9)	3.3	2.9	2.9	3.0
Interest cover (x)	0.1	5.0	5.2	5.8	5.9
Effective tax rates (%)	(50.9)	10.5	20.0	20.0	20.0
Net dividend payout (%)	0.0	26.4	0.0	0.0	0.0
Debtors turnover (days)	85.6	86.0	82.1	81.1	81.1
Stock turnover (days)	51.4	50.4	48.5	48.8	48.8
Creditors turnover (days)	25.0	19.5	20.1	20.9	20.9

Source: Company, NRA Capital Estimates

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