

ASTI Holdings

3Q09 results update

BUY

Current Price S\$0.08

23 November 2009

Fair Value S\$0.17

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Historical Chart



Source: Bloomberg

Stock Statistics

Market Cap	S\$45.8m
52-HI	S\$0.14
52-LOW	S\$0.045
Avg Vol (1 yr)	1,421,083
Shares Outstanding	572.8m
Free Float	380.5m

Key Indicators

ROE 09F	-0.3%
ROA 09F	-0.1%
P/BK	0.59
Net gearing	0.28x

Major Shareholders

Michael Loh S.G.	20.3%
Tan Kee Liang	6.9%
Heah Theare Haw	6.5%

Back in the black

- **Core earnings above expectations.** Although 3Q09 net profit of \$2.4m was below our expectation of S\$3.5m, the number included S\$0.7m provision for doubtful debts and S\$0.9m forex loss. Excluding these, core net profit of S\$4m was better-than our forecast due to better-than-expected operating cost control. This is ASTI's first quarter that is profitable after six consecutive quarters in the red.
- **Sales dropped 20% yoy, but improved 7% qoq to S\$110.7m in 3Q09** as business activities started to pick up towards the end of 2Q09. Sales of backend equipment solutions & technologies (BEST) increased 8.6% yoy to form 26% of total sales (improved from 18% in 2Q09), while sales of distribution & services fell 27% yoy.
- **Gross margins improved by 4.1% pts yoy** or 3.6% pts qoq to 18.5% in 3Q09, due mainly to higher contribution from BEST division, which generated higher margins. Various cost saving initiatives and consolidation of certain business operations lifted EBITDA margins by 3.6% pts yoy to 6.7% in 3Q09. Together with lower depreciation and financial cost, pretax has turn from S\$0.4m loss to S\$3.0m profit.
- **Balance sheet improved.** ASTI generated S\$15.9m of positive free cash flow in this quarter due mainly to the better working capital management and controlled capex. Its cash conversion cycle was shortened by 25 days qoq to 59 days. As a result, net gearing improved from 0.33x as at end-Jun09 to 0.14x.
- **Still busy as a bee.** According to Semiconductor Industry Association, the worldwide sales of semiconductors reported an approximately 20% yoy increase in 3Q09. Into 4Q2009, management expects the momentum to continue for its BEST business. We also understand from management that orders for its BEST business are keeping them busy until 1Q10. However, its distribution and services business remains challenging as the group will continue consolidation for this division.
- **Raising forecasts and target price.** We have kept our FY09 core earnings estimate but raised our FY10-11 forecasts by 21-22% to factor in better cost control and higher contribution from BEST division. Given the signs that semiconductors are now on the up cycle, we peg our target price to 1.26x CY09 PBR now (from 0.8x previously), shifted from lower range to the mean of its 5 years forward price to book ratio. Maintain Buy recommendation.

Key Financial Data

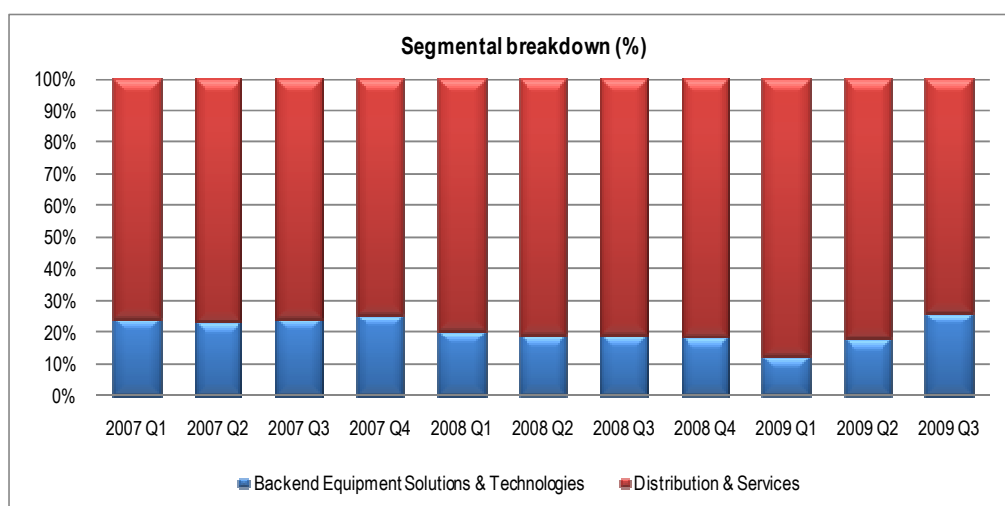
(S\$ m, FYE Dec)	2007	2008	2009F	2010F	2011F
Sales	597.2	515.8	405.9	487.1	573.2
Gross Profit	97.9	73.5	67.0	80.4	94.6
Net Profit	5.4	(14.7)	(0.9)	6.6	10.7
Core Net Profit	2.6	(11.8)	(0.3)	6.6	10.7
Core EPS (cents)	0.5	(2.3)	(0.1)	1.2	2.0
Core EPS growth (%)	(88.7)	nm	(97.4)	2,219.6	60.4
PER (x)	16.4	nm	nm	6.5	4.0
NTA/share (cents)	17.5	14.4	13.8	15.0	17.0
DPS (cents)	0.5	0.0	0.0	0.0	0.0
Div Yield (%)	6.2	0.0	0.0	0.0	0.0

Source: Company, NRA Capital

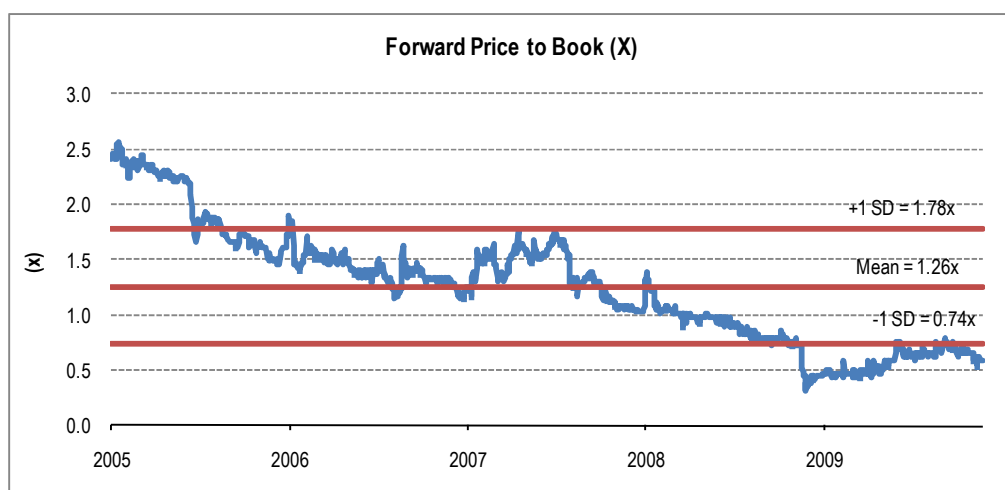
Results comparison

FYE Dec (S\$ m)	3Q09	3Q08	yoy % chg	2Q09	qoq % chg	Prev. 3Q09F	Comments
Revenue	110.7	138.7	(20)	103.4	7	131.5	16% below expectation
Operating costs	(103.3)	(134.4)	(23)	(99.5)	4	(124.2)	Below, lower-than-expected sales
EBITDA	7.4	4.2	75	3.9	91	7.3	Slight above
EBITDA margin (%)	6.7	3.0		3.7		5.5	Above, better-than-expected cost control
Depn & amort.	(2.5)	(3.2)	(21)	(2.9)	(13)	(2.9)	Below
EBIT	4.9	1.0	372	1.0	403	4.4	Above, better-than-expected margins
Interest expense	(1.3)	(1.9)	(33)	(1.3)	(2)	(1.3)	In line
Interest & invt inc	(0.6)	0.6	(195)	(0.7)	(11)	0.6	Below, mainly affected by S\$0.9m forex loss
Associates' contrib	(0.0)	(0.1)	(76)	(0.1)	(45)	(0.1)	
Exceptionals	0.0	0.0	0	0.0	0	0.0	
Pretax profit	3.0	(0.4)	838	(1.1)	380	3.6	Below, affected by forex loss
Tax	(0.7)	(1.0)	(28)	(0.7)	(7)	(0.2)	Above, higher-than-expected effective tax rate
Tax rate (%)	23.2	(237.8)		(69.7)		4.2	
Minority interests	0.1	0.1	16	0.1	(36)	0.1	
Net profit	2.4	(1.3)	282	(1.7)	240	3.5	Below, affected by forex loss and
EPS (cts)	0.4	(0.3)	275	(0.3)	240	0.7	higher bad debt provision

Source: NRA Capital estimates



Source: Company



Source: Bloomberg, NRA Capital Estimates

Profit & Loss (S\$ m, FYE Dec)	2007	2008	2009F	2010F	2011F
Revenue	597.2	515.8	405.9	487.1	573.2
Operating expenses	(573.4)	(511.3)	(390.4)	(464.9)	(546.7)
EBITDA	23.8	4.5	15.5	22.2	26.5
Depreciation & amortisation	(14.9)	(12.5)	(11.0)	(11.6)	(11.1)
EBIT	8.9	(8.1)	4.5	10.6	15.3
Net interest & invt income	(8.6)	(3.2)	(3.4)	(2.2)	(1.8)
Associates' contribution	(1.0)	(1.5)	(0.2)	1.2	1.2
Exceptional items	5.1	(2.7)	0.0	0.0	0.0
Pretax profit	4.4	(15.5)	0.9	9.6	14.8
Tax	(3.2)	(1.7)	(2.8)	(2.5)	(3.5)
Minority interests	4.2	2.5	1.0	(0.5)	(0.6)
Net profit	5.4	(14.7)	(0.9)	6.6	10.7
Wt. shares (m)	535.0	515.7	536.0	536.0	536.0
Shares at year-end (m)	535.0	515.7	536.0	536.0	536.0

Balance Sheet (S\$ m, as at Dec)	2007	2008	2009F	2010F	2011F
Fixed assets	46.4	40.4	36.9	33.6	30.5
Intangible assets	12.2	14.7	14.7	14.7	14.7
Other long-term assets	5.0	6.8	6.8	6.8	6.8
Total non-current assets	63.6	62.0	58.5	55.2	52.1
Cash and equivalents	74.8	52.7	51.0	57.6	67.0
Stocks	69.5	54.0	40.7	40.7	47.9
Trade debtors	108.5	103.1	90.6	100.2	112.3
Other current assets	27.7	31.9	36.0	37.7	39.7
Total current assets	280.5	241.6	218.3	236.2	266.9
Trade creditors	84.0	77.6	69.0	82.8	97.4
Short-term borrowings	63.2	79.2	60.9	53.6	51.6
Other current liabilities	47.4	36.2	36.4	38.0	40.4
Total current liabilities	194.5	193.0	166.3	174.4	189.5
Long-term borrowings	20.8	3.2	4.9	4.8	4.6
Other long-term liabilities	2.5	2.4	1.8	1.8	2.8
Total long-term liabilities	23.3	5.6	6.7	6.7	7.4
Shareholders' funds	105.7	89.0	88.7	94.9	106.0
Minority interests	20.6	16.0	15.0	15.5	16.1
NTA/share (S\$)	0.17	0.14	0.14	0.15	0.17
Total Assets	344.1	303.6	276.7	291.4	319.0
Total Liabilities + S'holders' funds	344.1	303.6	276.7	291.4	319.0

Cash Flow (S\$ m, FYE Dec)	2007	2008	2009F	2010F	2011F
Pretax profit	4.4	(15.5)	0.9	9.6	14.8
Depreciation & non-cash adjustments	15.5	9.3	10.3	12.3	12.4
Working capital changes	(10.7)	0.7	13.3	0.6	(8.1)
Cash tax paid	(4.5)	(2.2)	(4.3)	(3.2)	(3.1)
Others	0.0	0.0	0.0	0.0	1.0
Cash flow from operations	4.7	(7.8)	20.2	19.3	17.0
Capex	(11.6)	(6.2)	(4.0)	(5.0)	(5.0)
Net investments & sale of FA	0.4	(0.9)	0.0	0.0	0.0
Others	11.3	(0.4)	(1.0)	0.0	0.0
Cash flow from investing	0.1	(7.5)	(5.0)	(5.0)	(5.0)
Debt raised/(repaid)	11.5	(1.6)	(16.5)	(7.4)	(2.3)
Equity raised/(repaid)	0.0	(2.8)	0.0	0.0	0.0
Dividends paid	(7.1)	0.0	0.0	0.0	0.0
Cash interest & others	10.1	(2.3)	(0.4)	(0.4)	0.6
Cash flow from financing	14.5	(6.8)	(16.9)	(7.8)	(1.6)
Change in cash	19.3	(22.0)	(1.7)	6.5	10.4
Change in net cash/(debt)	7.9	(20.4)	14.9	13.9	12.7
Ending net cash/(debt)	(9.2)	(29.6)	(14.8)	(0.8)	11.8

KEY RATIOS (FYE Dec)	2007	2008	2009F	2010F	2011F
Revenue growth (%)	43.4	(13.6)	(21.3)	20.0	17.7
EBITDA growth (%)	(31.6)	(81.2)	246.8	43.3	19.2
Pretax margins (%)	0.7	(3.0)	0.2	2.0	2.6
Net profit margins (%)	0.9	(2.8)	(0.2)	1.4	1.9
Interest cover (x)	1.5	(1.1)	1.2	3.1	4.4
Effective tax rates (%)	72.4	(10.7)	310.0	25.8	23.5
Net dividend payout (%)	102.0	0.0	0.0	0.0	0.0
Debtors turnover (days)	70.7	74.9	87.1	71.5	67.7
Stock turnover (days)	48.2	51.0	51.0	36.5	33.8
Creditors turnover (days)	53.7	57.2	65.9	56.9	57.4

Source: Company, NRA Capital Estimates

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