

ASTI Holdings

1Q10 results update

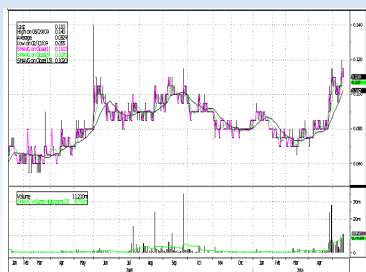
BUY

Current Price S\$0.11
13 May 2010

Fair Value S\$0.21

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Historical Chart



Source: Bloomberg

Stock Statistics

Market Cap	S\$59m
52-HI	S\$0.14
52-LOW	S\$0.065
Avg Vol (1 yr)	1,786,286
Shares Outstanding	536.0m
Free Float	341.5m

Key Indicators

ROE 10F	12.9%
ROA 10F	5.0%
P/BK	0.68
Net gearing	21.7%

Major Shareholders

Michael Loh S.G.	29.9%
Heah Theare Haw	6.5%

All round improvement in earnings

- **Ahead of expectations.** Despite the traditional March quarter being the weakest quarter for semiconductor equipment business, ASTI has delivered 1Q10 net profits of \$5.2m, in excess our FY10 forecast of S\$5.1m due to higher-than-expected sales as well as margins expansion.
- **Sales increased 23% yoy to S\$113.6m in 1Q10** as business from equipment and manufacturing showed strong recovery since end 2Q09. Sales of backend equipment solutions & technologies (BEST) increased 207% yoy but declined 7% qoq to form 31% of total sales. However, sales of distribution & services fell 3% yoy to S\$78.6m due partially to the weakness in the US dollar.
- **Gross margins expanded by 6.6% pts yoy to 19.3% in 1Q10**, due mainly to higher contribution from BEST division, which generated higher margins. EBITDA margins rose from negative 2.2% in 1Q09 to positive 8.9% in 1Q10. Including a S\$0.5m forex loss and S\$0.2m exceptional gain on disposal of subsidiaries, net profit turned around from S\$5m loss to S\$5.2m profit.
- **Balance sheet remains comfortable.** Despite controlled capex, ASTI generated S\$13.7m negative cash flow due mainly to higher working capital requirements as its orders remain strong. Cash conversion cycle remains high at 119 days as compared to previous quarter. ASTI ended the quarter with a 21.7% net gearing (up from 16.8% qoq).
- **Full utilisation rate.** We expect the equipment industry will remain firm in the quarter to June. According to SEMI, North America-based manufacturers of semiconductor equipment posted US\$1.29bn in orders and book-to-bill is still above 1x at 1.19x in Mar10. We understand from management its' utilisation is still packed for the moment, and the management is cautiously reviewing its capex spending at this level.
- **Risks.** Its 39% own associate company, Advanced Systems Automation (ASA) is proposing an RTO now, ASTI is exploring the risk of any potential asset write-off should it fail in the restructuring exercise or continue to incur losses from ASA.
- **Raised forecasts.** We have raised our FY10-12 profit forecasts by 25% to 134% to factor in higher sales and margins expectation. As a result, our fair value has been lifted from S\$0.18 to S\$0.21, still based on 1.2x P/NTA FY10 (still in line with its 5 years mean forward price to book ratio). The fair value translates to only 7x FY10 PER. Maintain Buy.

Key Financial Data

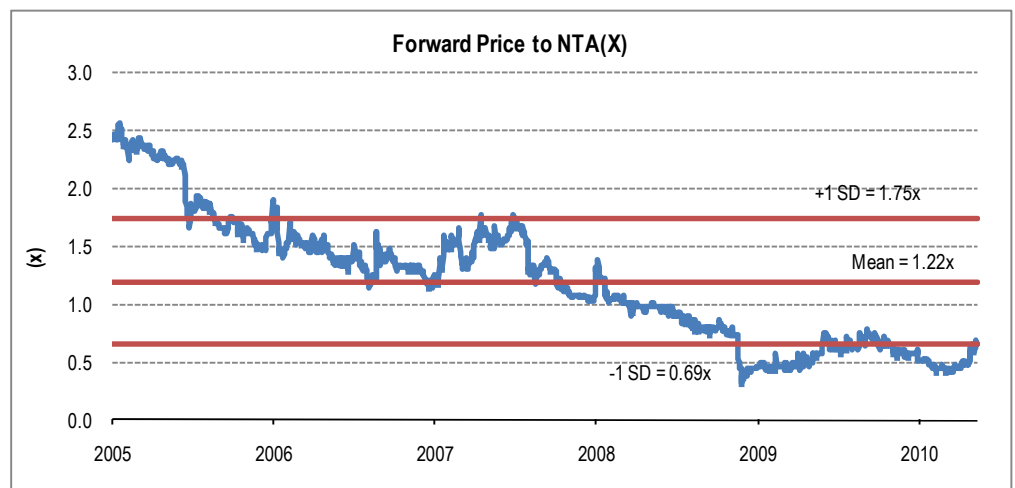
(S\$ m, FYE Dec)	2008	2009	2010F	2011F	2012F
Sales	515.8	428.7	450.7	511.6	514.8
Gross Profit	73.5	71.4	85.6	89.5	87.5
Net Profit	(14.7)	(3.7)	14.4	13.8	11.9
Core Net Profit	(11.8)	7.7	14.9	13.8	11.9
Core EPS (cents)	(2.3)	1.4	2.8	2.6	2.2
Core EPS growth (%)	nm	162.6	94.1	(7.0)	(13.7)
PER (x)	nm	8.0	4.1	4.5	5.2
NTA/share (cents)	14.4	14.0	16.9	19.5	21.9

Source: Company, NRA Capital

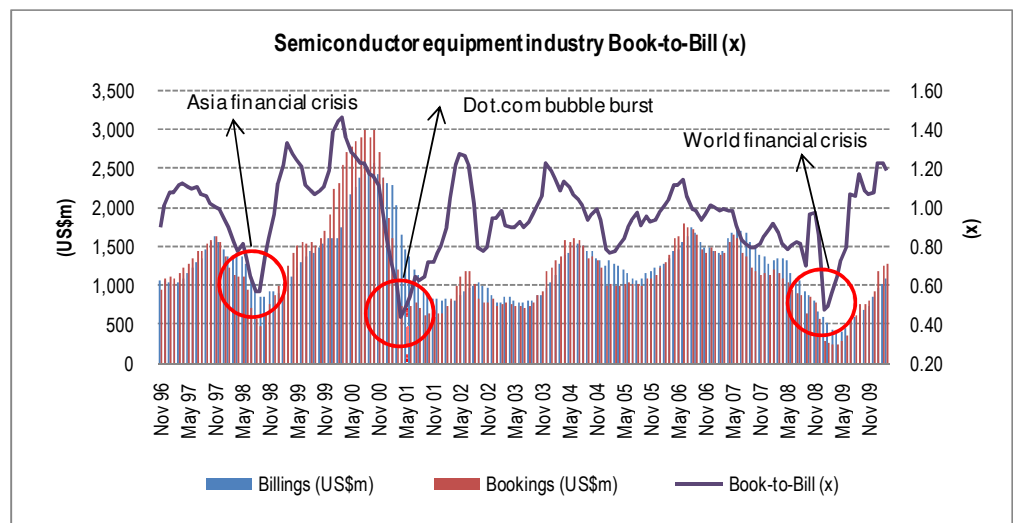
Results comparison

FYE Dec (S\$ m)	1Q10	1Q09	yoy % chg	4Q09	qoq % chg	Prev. 1Q10F	Comments
Revenue	113.6	92.3	23	122.4	(7)	89.3	27% above expectation
Operating costs	(103.5)	(94.3)	10	(111.6)	(7)	(85.0)	Above, higher-than-expected sales
EBITDA	10.2	(2.0)	607	10.8	(6)	4.3	Above, better-than-expected sales & margins
EBITDA margin (%)	8.9	(2.2)		8.8		4.8	Above, better economy of scale
Depn & amort.	(2.4)	(3.1)	(24)	(2.5)	(6)	(2.5)	In line
EBIT	7.8	(5.1)	253	8.3	(6)	1.8	Above, better-than-expected margins
Interest expense	(1.1)	(1.4)	(19)	(1.3)	(13)	(1.1)	In line
Interest & invt inc	(0.2)	1.2	(114)	1.2	(113)	0.3	Below, affected by S\$0.7m forex loss
Associates' contrib	(0.0)	0.0	nm	0.0	(425)	0.3	
Exceptionals	0.2	0.0	nm	(9.8)	nm	0.0	Gain on disposal of subsidiaries
Pretax profit	6.7	(5.3)	227	(1.6)	529	1.3	Above, better-than-expected sales & margins
Tax	(1.5)	(0.2)	639	(0.9)	64	(0.4)	Above, higher-than-expected pretax profit
Tax rate (%)	22.1	(3.8)		(57.6)		28.0	
Minority interests	(0.0)	0.7	(102)	2.9	(101)	0.0	
Net profit	5.2	(4.8)	208	0.5	1,031	0.9	Above, better-than-expected sales & margins
EPS (cts)	1.0	(0.9)	208	0.1	1,031	0.2	

Source: NRA Capital estimates



Source: Bloomberg, NRA Capital Estimates



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

Profit & Loss (S\$ m, FYE Dec)	2008	2009	2010F	2011F	2012F
Revenue	515.8	428.7	450.7	511.6	514.8
Operating expenses	(511.3)	(408.7)	(418.3)	(479.6)	(487.0)
EBITDA	4.5	20.0	32.5	31.9	27.9
Depreciation & amortisation	(12.5)	(11.0)	(10.7)	(12.3)	(11.8)
EBIT	(8.1)	9.0	21.7	19.6	16.1
Net interest & invt income	(3.2)	(4.1)	(2.9)	(2.2)	(1.3)
Associates' contribution	(1.5)	(0.1)	1.2	1.2	1.2
Exceptional items	(2.7)	(9.8)	0.0	0.0	0.0
Pretax profit	(15.5)	(5.0)	20.1	18.5	16.0
Tax	(1.7)	(2.5)	(5.6)	(4.6)	(4.0)
Minority interests	2.5	3.8	(0.1)	(0.1)	(0.1)
Net profit	(14.7)	(3.7)	14.4	13.8	11.9
Wt. shares (m)	515.7	536.0	536.0	536.0	536.0
Shares at year-end (m)	515.7	536.0	536.0	536.0	536.0

Balance Sheet (S\$ m, as at Dec)	2008	2009	2010F	2011F	2012F
Fixed assets	40.4	28.4	25.5	21.8	18.4
Intangible assets	14.7	13.1	12.5	11.9	11.3
Other long-term assets	6.8	2.7	2.8	2.8	2.9
Total non-current assets	62.0	44.2	40.7	36.5	32.6
Cash and equivalents	52.7	45.1	52.3	52.2	54.6
Stocks	54.0	46.6	51.1	59.1	59.8
Trade debtors	103.1	97.9	119.0	131.0	131.8
Other current assets	31.9	51.2	36.3	37.3	38.8
Total current assets	241.6	240.9	258.7	279.5	285.1
Trade creditors	37.1	21.6	27.0	30.7	25.7
Short-term borrowings	79.2	56.3	51.8	46.0	36.0
Other current liabilities	76.7	99.4	99.6	103.9	108.6
Total current liabilities	193.0	177.2	178.5	180.6	170.4
Long-term borrowings	3.2	5.7	4.4	4.1	4.0
Other long-term liabilities	2.4	2.0	1.5	2.5	2.5
Total long-term liabilities	5.6	7.7	5.9	6.5	6.4
Shareholders' funds	89.0	88.0	102.8	116.6	128.5
Minority interests	16.0	12.2	12.2	12.3	12.4
NTA/share (S\$)	0.14	0.14	0.17	0.20	0.22
Total Assets	303.6	285.1	299.4	316.1	317.7
Total Liabilities + S'holders' funds	303.6	285.1	299.4	316.1	317.7

Cash Flow (S\$ m, FYE Dec)	2008	2009	2010F	2011F	2012F
Pretax profit	(15.5)	(5.0)	20.1	18.5	16.0
Depreciation & non-cash adjustments	7.5	21.7	15.5	12.2	10.1
Working capital changes	2.4	10.1	(20.7)	(16.4)	(5.8)
Cash tax paid	(2.2)	(2.0)	(4.1)	(4.3)	(3.8)
Others	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	(7.8)	24.8	10.8	10.2	16.6
Capex	(6.2)	(2.1)	(5.0)	(5.0)	(5.0)
Net investments & sale of FA	(0.9)	4.1	7.2	0.0	0.0
Others	(0.4)	1.0	(0.0)	0.0	0.0
Cash flow from investing	(7.5)	3.0	2.1	(5.0)	(5.0)
Debt raised/(repaid)	(1.6)	(19.6)	(5.7)	(6.2)	(10.1)
Equity raised/(repaid)	(2.8)	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0
Cash interest & others	(2.3)	(15.0)	(0.1)	0.9	0.9
Cash flow from financing	(6.8)	(34.6)	(5.8)	(5.3)	(9.2)
Change in cash	(22.0)	(6.8)	7.1	(0.1)	2.4
Change in net cash/(debt)	(20.4)	12.8	12.8	6.1	12.5
Ending net cash/(debt)	(29.6)	(16.8)	(4.0)	2.1	14.6

KEY RATIOS (FYE Dec)	2008	2009	2010F	2011F	2012F
Revenue growth (%)	(13.6)	(16.9)	5.1	13.5	0.6
EBITDA growth (%)	(81.2)	347.5	62.2	(1.7)	(12.7)
Pretax margins (%)	(3.0)	(1.2)	4.5	3.6	3.1
Net profit margins (%)	(2.8)	(0.9)	3.2	2.7	2.3
Interest cover (x)	(1.1)	0.1	5.5	5.6	6.0
Effective tax rates (%)	(10.7)	(50.9)	28.0	25.0	25.0
Net dividend payout (%)	0.0	0.0	0.0	0.0	0.0
Debtors turnover (days)	74.9	85.6	87.8	89.2	93.2
Stock turnover (days)	51.0	51.4	48.9	47.7	50.8
Creditors turnover (days)	28.5	25.0	19.7	20.6	20.0

Source: Company, NRA Capital Estimates

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