

Mfg Integration Tech Ltd

Company update

Neutral

Current Price S\$0.120
27 April 2011
Fair Value S\$0.140

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Historical Chart



Source: Bloomberg

Stock Statistics

Market Cap	S\$26.5m
52-HI	S\$0.160
52-LOW	S\$0.110
Avg Vol (1 yr)	66,312
Shares Outstanding	217.6m
Free Float	89.30m

Key Indicators

FY10 ROE	10.6%
FY10 ROA	5.8%
P/BK	0.8x
Gearing	Net cash

Major Shareholders

MIT Technologies	55.4
Kwong Kim Mone	2.1
Chan Kok Tung Tom	1.4

Growth likely to moderate

\$14.5m new contracts. MIT recently announced that it has secured new contracts worth \$14.5m since the beginning of the year for its semiconductor solutions, bringing total outstanding order book to \$23.6m as at 14 April 2011.

Semicon segment remains dominant. MIT continued to see healthy enquiries from its key customers, particularly major assembly and test houses. Its best selling C300i die sorters dominated in new orders, most of which are slated for delivery in the first half of this year.

Solar business still in growth stage. MIT has made some headway in developing its solar business, which saw revenue growing from about \$1m in FY09 (5% of FY09 sales) to about \$10m in FY12 (23% of FY10 sales). The success in developing laser scribes used in Thin Film Transistor ("TFT") solar panel manufacturing process precipitated a rapid buildup in this business. Of note, the company is currently developing wafer processing solutions used in manufacturing polycrystalline photovoltaic cells, which could be another growth driver in the coming years.

Signs of weakness in semicon equipment industry. North America-based manufacturers of semiconductor equipment posted \$1.58b in orders in Feb 2011 (3 months average), off from the peak recorded in July last year. As shipments lag bookings, declining orders resulted in a diverging pattern displayed in both charts. While expenditure in semicon equipment shows sign of slowdown, the case of drastic decline as witnessed in the previous global recession appears unlikely.

Risk. Cyclical semiconductor sector, visibility less than 6 months, weaker US dollar

Rerating catalyst. Secure new orders

Downgrade to Neutral. We forecast FY11 net profit to be \$3.4m, 56% lower than the estimate by previous analyst. We trimmed the forecast on lower expectation for new order books. Conservatively, we expect FY11 revenue and PATMI to post a decent growth of 16.3% and 14.6% respectively. In light of moderating earnings growth, we change our valuation from price-earnings to price-to-NTA. By pegging to 1x FY11 NTA, we derive a target price of 14 cents (previous 21 cents), representing 7.6x FY11 EPS, 6.5x FY12 EPS.

Key Financial Data (SGD m, FYE Dec)	2008	2009	2010	2011F	2012F	2013F
Sales	32.3	24.9	51.7	60.1	64.1	67.1
Gross Profit	9.2	4.3	13.2	15.5	17.1	18.1
Net Profit	(4.4)	(8.8)	3.0	3.4	4.0	4.4
Basic EPS (cents)	(2.0)	(4.0)	1.4	1.6	1.8	2.0
Diluted EPS (cents)	(2.0)	(4.0)	1.4	1.6	1.8	2.0
EPS growth (%)	(432.9)	100.3	(134.0)	14.6	16.7	9.7
PER (x)	(5.9)	(3.0)	8.7	7.6	6.5	5.9
NTA/share (cents)	15.0	11.9	13.2	14.2	15.7	17.3
DPS (cents)	0.0	0.0	0.3	0.3	0.3	0.3
Div Yield (%)	0.0	0.0	2.1	2.3	2.5	2.8

Source: Company, NRA estimates

Figure 1: Book-to-bill stayed below parity for since Oct 2010

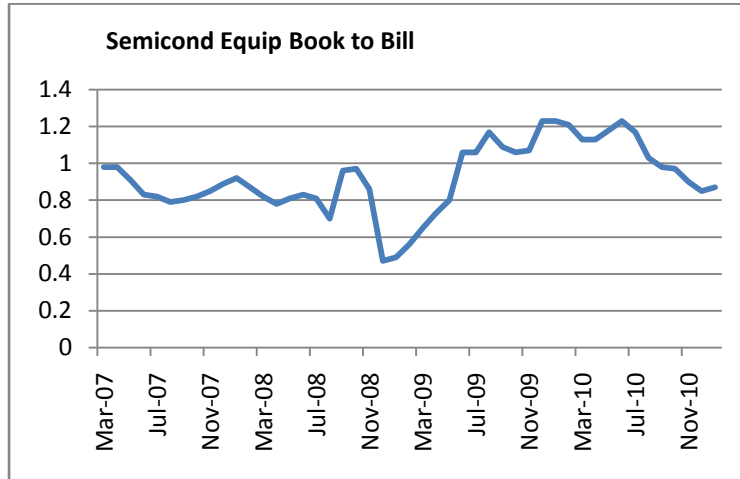


Figure 2: Orders moderating

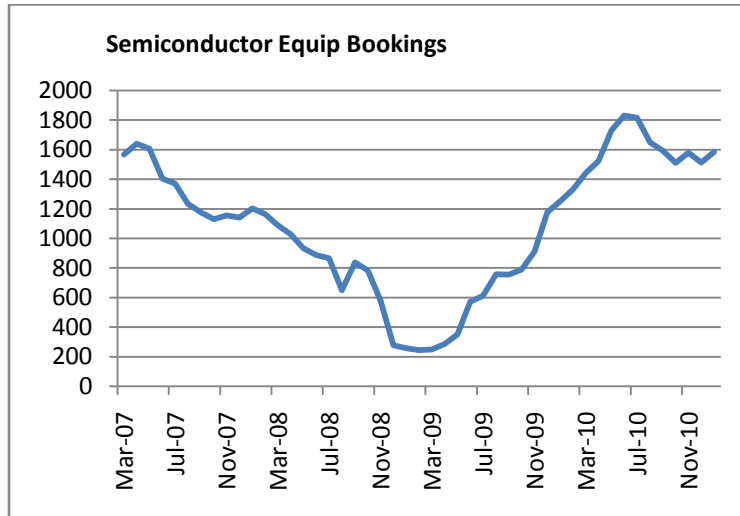
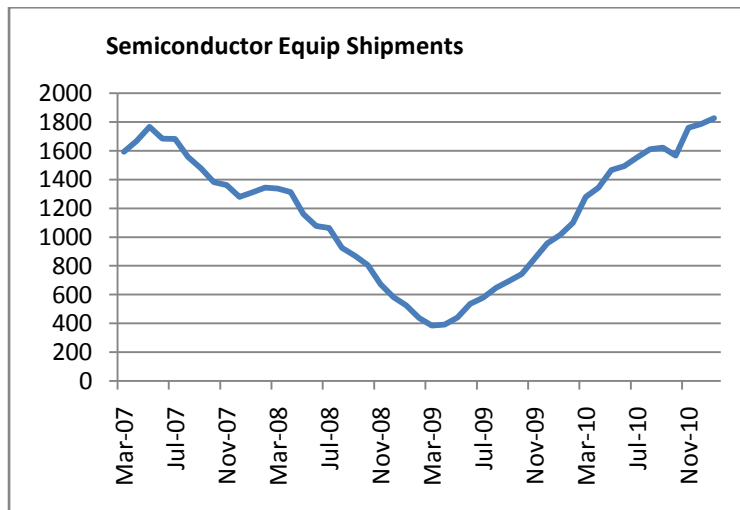


Figure 3: Shipments might soften on weaker bookings in the coming months



Source: SEMI

Profit & Loss (SGD m, FYE Dec)	2008	2009	2010	2011F	2012F	2013F
Revenue	32.3	24.9	51.7	60.1	64.1	67.1
Operating expenses	(31.8)	(29.7)	(46.0)	(54.1)	(57.2)	(59.6)
EBITDA	0.5	(4.9)	5.7	6.0	6.9	7.5
Depreciation & amortisation	(1.7)	(1.9)	(1.9)	(1.9)	(2.1)	(2.3)
EBIT	(1.2)	(6.7)	3.8	4.1	4.8	5.2
Net interest & invt income	(2.9)	(2.4)	(0.5)	0.0	0.1	0.1
Associates' contribution	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional items	0.0	0.5	0.3	0.0	0.0	0.0
Pretax profit	(4.1)	(8.6)	3.6	4.2	4.8	5.3
Tax	0.0	0.0	0.0	(0.2)	(0.2)	(0.3)
Minority interests	(0.3)	(0.2)	(0.6)	(0.5)	(0.6)	(0.7)
Net profit	(4.4)	(8.8)	3.0	3.4	4.0	4.4
Wt. shares (m)	217.6	217.6	217.6	217.6	217.6	217.6
Shares at year-end (m)	217.6	217.6	217.6	217.6	217.6	217.6
Diluted Shares at year-end (m)	217.6	217.6	217.6	217.6	217.6	217.6

Balance Sheet (SGD m, as at Dec)	2008	2009	2010	2011F	2012F	2013F
Fixed assets	2.8	2.9	3.6	3.8	4.0	4.1
Intangible assets	2.9	2.2	2.4	3.0	3.2	3.4
Other long-term assets	1.0	1.1	1.1	1.1	1.1	1.1
Total non-current assets	6.7	6.3	7.1	7.9	8.3	8.6
Cash and equivalents	18.2	19.7	15.1	15.3	17.6	20.7
Stocks	12.4	7.9	15.7	17.9	18.8	19.6
Trade debtors	9.9	8.5	17.7	20.0	21.4	22.4
Other current assets	0.8	0.4	0.7	0.7	0.7	0.7
Total current assets	41.3	36.5	49.3	53.9	58.4	63.3
Trade creditors	8.0	11.3	20.1	22.3	23.5	24.5
Short-term borrowings	1.4	1.1	1.2	1.0	0.8	0.6
Other current liabilities	1.0	0.2	0.3	0.3	0.3	0.3
Total current liabilities	10.4	12.6	21.6	23.6	24.6	25.4
Long-term borrowings	0.1	0.0	0.0	0.0	0.0	0.0
Other long-term liabilities	0.0	0.0	0.9	0.9	0.9	0.9
Total long-term liabilities	0.1	0.0	0.9	0.9	0.9	0.9
Shareholders' funds	35.6	28.0	31.1	33.9	37.4	41.1
Minority interests	2.0	2.2	2.7	3.2	3.8	4.5
NTA/share (SGD)	0.15	0.12	0.13	0.14	0.16	0.17
Total Assets	48.0	42.8	56.3	61.7	66.8	71.9
Total Liabilities + S'holders' funds	48.0	42.8	56.3	61.7	66.8	71.9

Cash Flow (SGD m, FYE Dec)	2008	2009	2010	2011F	2012F	2013F
Pretax profit	(4.1)	(8.6)	3.6	4.2	4.8	5.3
Depreciation & non-cash adjustments	5.5	3.7	2.9	1.9	2.1	2.3
Working capital changes	(6.6)	9.7	(8.2)	(2.3)	(1.1)	(0.8)
Cash tax paid	(0.3)	0.2	0.0	(0.2)	(0.2)	(0.3)
Others	(0.1)	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	(5.6)	5.0	(1.7)	3.6	5.7	6.5
Capex	(0.4)	(1.5)	(1.7)	(1.5)	(1.5)	(1.5)
Net investments & sale of FA	0.0	0.0	0.0	0.0	0.0	0.0
Others	(2.3)	(1.6)	(1.8)	(1.2)	(1.1)	(1.0)
Cash flow from investing	(2.6)	(3.1)	(3.5)	(2.7)	(2.6)	(2.5)
Debt raised/(repaid)	0.4	(0.2)	0.8	(0.2)	(0.2)	(0.2)
Equity raised/(repaid)	(0.5)	0.0	0.0	0.0	0.0	0.0
Dividends paid	(0.5)	0.0	0.0	(0.5)	(0.6)	(0.7)
Cash interest & others	(0.2)	(0.2)	(1.1)	0.0	0.0	0.0
Cash flow from financing	(0.9)	(0.4)	(0.2)	(0.7)	(0.8)	(0.9)
Change in cash	(9.1)	1.4	(5.4)	0.1	2.3	3.2
Change in net cash/(debt)	(9.4)	1.7	(6.2)	0.3	2.5	3.4
Ending net cash/(debt)	16.8	18.6	13.9	14.2	16.7	20.1

KEY RATIOS (FYE Dec)	2008	2009	2010	2011F	2012F	2013F
Revenue growth (%)	(18.1)	(23.0)	107.9	16.3	6.6	4.7
EBITDA growth (%)	(62.2)	(1,160.3)	(216.5)	6.3	15.0	8.3
Pretax margins (%)	(12.7)	(34.6)	6.9	6.9	7.6	7.9
Net profit margins (%)	(13.6)	(35.4)	5.8	5.7	6.3	6.5
Interest cover (x)	6.3	(55.3)	58.4	>100	>100	>100
Effective tax rates (%)	(0.1)	(0.6)	0.3	5.0	5.0	5.0
Net dividend payout (%)	0.0	0.0	18.2	17.1	16.3	16.3
Debtors turnover (days)	120.6	135.0	92.3	114.5	117.9	119.0
Stock turnover (days)	204.1	180.8	112.2	137.4	142.3	143.2
Creditors turnover (days)	170.8	171.6	149.0	173.5	177.8	179.0

Source: Company, NRA estimates

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