

Mfg Integration Tech Ltd

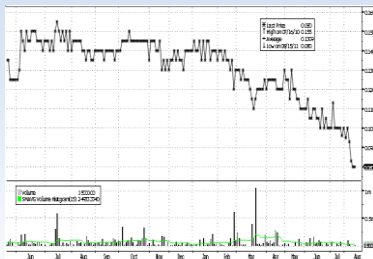
Results update

Neutral

Current Price **S\$0.080**
18 Aug 2011
Fair Value **S\$0.137**

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Historical Chart



Source: Bloomberg

Stock Statistics

Market Cap	S\$17.68m
52-HI	S\$0.155
52-LOW	S\$0.080
Avg Vol (1 yr)	72,315
Shares Outstanding	217.6m
Free Float	89.30m

Key Indicators

FY11 ROE	10.1%
FY11 ROA	6.0%
P/BK	0.6x
Net gearing	Net cash

Major Shareholders

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

Hazy outlook

- **1H below expectation.** MIT reported 18% yoy jump (+70% hoh) in revenue to \$26.3m in 1H11 on spillover of semiconductor orders from last year as well as contributions from CEM business. PATMI declined 51% to \$0.8m from the previous year, but improved from the loss making half in the preceding half. EPS was 0.4 cents, 46% below our estimate.
- **EBITDA margin ebbed rapidly** by 5.1ppt from the previous year to just 4.3% as surge SGA% overwhelmed a marginal increase in gross margin by 32bps to 25.43%. Selling and distribution costs almost doubled to \$3.3m, representing 12.53% of total revenue, owing to increase in sales commission payable to penetrate a new market as well as higher traveling expenses. EBITDA plummeted 46% yoy to \$1.1m.
- **Operating cash flow** was negative \$1.2m, due mainly to reduction in trade and other payables of nearly \$3.5m. Including the cash outflows for investing and financing, MIT reduced its cash balances by \$3.7m to \$11.4m and had zero borrowing in the first half.
- **Hazy outlook.** Order book declined from \$23.6m in mid-April to \$19m as of June end. This was attributed to a push back in investments by major solar customers in the first half. On top of that, the slower demand in semiconductor equipments lead to more competition and thus pricing pressures remain. On a brighter note, contract equipment manufacturing segment is expected to be more active as the company is expected to commence the supply of key modules to a leading LED equipment maker from the fourth quarter this year, with potential sales of up to \$10m over the next 12 months.
- **Risk.** Sapping demand for semiconductor equipment, declining USD
- **Maintain Neutral.** We trimmed our earnings forecast in by 33% for FY11 and 23-24% for FY12-13 to reflect the increasingly uncertain macro outlook. Our target price of 13.7 cent (prev 14.2 cents) is based on 1x FY11 NTA, representing 13.0x FY11 PER and 9.7x FY12 PER.

Key Financial Data

(SGD m, FYE Dec)	2008	2009	2010	2011F	2012F	2013F
Sales	32.3	24.9	51.7	52.3	51.8	54.2
Gross Profit	9.2	4.3	13.2	13.4	13.8	14.7
Net Profit	(4.4)	(8.8)	3.0	2.3	3.1	3.4
Basic EPS (cents)	(2.0)	(4.0)	1.4	1.1	1.4	1.6
Diluted EPS (cents)	(2.0)	(4.0)	1.4	1.1	1.4	1.6
EPS growth (%)	(432.9)	100.3	(134.0)	(23.5)	33.5	10.4
PER (x)	(5.9)	(3.0)	8.7	11.4	8.5	7.7
NTA/share (cents)	15.0	11.9	13.2	13.7	14.7	15.9
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

Table 1: Results comparison

FYE Dec (SGD m)	1H11	1H10	yoy % chg	2H09	hoh % chg	Prev. 1H11	Comments
Revenue	26.3	22.2	18	15.5	70	28.0	Revenue increased 18% due to spillover of semiconductor equipment orders and contribution from CEM business
Operating costs	(25.2)	(20.2)	25	(19.1)	32	(25.2)	
EBITDA	1.1	2.1	(46)	(3.6)	131	2.7	
EBITDA margin (%)	4.3	9.4	(55)	(23.2)	118	9.8	Jump in SGA%, with selling and distribution cost up 92% yoy
Depn & amort.	(0.8)	(1.0)	(17)	(1.0)	(14)	(1.0)	
EBIT	0.3	1.1	(74)	(4.6)	106	1.8	
Interest & invt inc	0.6	0.9	(32)	(1.9)	134	0.1	\$0.77m reversal on allowance for impairment loss on inventories in 1H11; Finance cost up 40% to \$0.06m; \$0.7m compensation received for removal of Shanghai plant in 1H10
Associates' contrib	-	-	-	-	-	-	
Exceptionals	-	0.1	(100)	0.2	(100)	-	
Pretax profit	0.9	2.1	(57)	(6.2)	115	1.8	
Tax	(0.0)	(0.1)	(79)	0.0	(144)	(0.1)	
Tax rate (%)	2.2	4.6	(52)	0.7	203	5.0	
Minority interests	(0.1)	(0.3)	(79)	(0.2)	(66)	(0.2)	
Net profit	0.8	1.7	(51)	(6.3)	113	1.5	
EPS (cts)	0.4	0.8	(51)	(2.9)	113	0.7	46% below estimate

Source: Company, NRA estimates

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



Source: SEMI

Profit & Loss (SGD m, FYE Dec)	2008	2009	2010	2011F	2012F	2013F
Revenue	32.3	24.9	51.7	52.3	51.8	54.2
Operating expenses	(31.8)	(29.7)	(46.0)	(48.5)	(46.0)	(48.0)
EBITDA	0.5	(4.9)	5.7	3.8	5.8	6.3
Depreciation & amortisation	(1.7)	(1.9)	(1.9)	(1.9)	(2.1)	(2.3)
EBIT	(1.2)	(6.7)	3.8	1.9	3.6	4.0
Net interest & invt income	(2.9)	(2.4)	(0.5)	0.8	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	2.7	3.7	4.1
Tax	0.0	0.0	0.0	(0.1)	(0.2)	(0.2)
Minority interests	(0.3)	(0.2)	(0.6)	(0.3)	(0.5)	(0.5)
Net profit	(4.4)	(8.8)	3.0	2.3	3.1	3.4
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	15.9	18.3	20.4
Stocks	12.4	7.9	15.7	15.5	15.2	15.8
Trade debtors	9.9	8.5	17.7	17.4	17.3	18.1
Other current assets	0.8	0.4	0.7	0.7	0.7	0.7
Total current assets	41.3	36.5	49.3	49.6	51.5	55.0
Trade creditors	8.0	11.3	20.1	19.4	19.0	19.8
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	20.7	20.1	20.7
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	32.8	35.3	38.0
Minority interests	2.0	2.2	2.7	3.0	3.5	4.0
NTA/share (SGD)	0.15	0.12	0.13	0.14	0.15	0.16
Total Assets	48.0	42.8	56.3	57.5	59.8	63.6
Total Liabilities + S'holders' funds	48.0	42.8	56.3	57.5	59.8	63.6

Cash Flow (SGD m, FYE Dec)	2008	2009	2010	2011F	2012F	2013F
Pretax profit	(4.1)	(8.6)	3.6	2.7	3.7	4.1
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)	(0.2)	0.1	(0.7)
Cash tax paid	(0.3)	0.2	0.0	(0.1)	(0.2)	(0.2)
Others	(0.1)	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	(5.6)	5.0	(1.7)	4.3	5.7	5.5
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)	0.8	2.3	2.1
Change in net cash/(debt)	(9.4)	1.7	(6.2)	1.0	2.5	2.3
Ending net cash/(debt)	16.8	18.6	13.9	14.9	17.4	19.8

KEY RATIOS (FYE Dec)	2008	2009	2010	2011F	2012F	2013F
Revenue growth (%)	(18.1)	(23.0)	107.9	1.2	(0.9)	4.7
EBITDA growth (%)	(62.2)	(1,160.3)	(216.5)	(33.3)	52.9	8.5
Pretax margins (%)	(12.7)	(34.6)	6.9	5.1	7.1	7.5
Net profit margins (%)	(13.6)	(35.4)	5.8	4.4	5.9	6.2
Interest cover (x)	6.3	(55.3)	58.4	81.6	>100	>100
Effective tax rates (%)	(0.1)	(0.6)	0.3	4.1	5.0	5.0
Net dividend payout (%)	0.0	0.0	18.2	25.6	21.3	21.3
Debtors turnover (days)	120.6	135.0	92.3	122.5	122.2	119.0
Stock turnover (days)	204.1	180.8	112.2	147.0	147.5	143.2
Creditors turnover (days)	170.8	171.6	149.0	185.8	184.4	179.0

Source: Company, NRA estimates

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