

Company Report

Corporate Updates

SGX Research Incentive Scheme

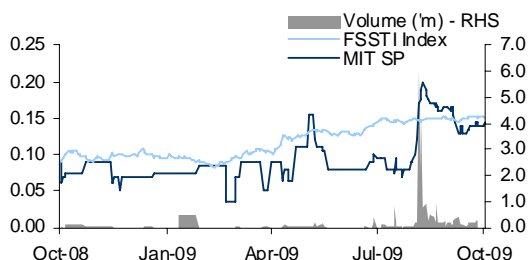
UPGRADE BUY

Share price	S\$0.145
Target price	S\$0.24
Previous: HOLD	S\$0.090
Upside / (Downside)	66%

Stock data MIT SP

Sector	Semiconductors
Issued capital (m shs)	221.02
Market Cap (S\$m)	32.05
12 mth price range (S\$)	0.035 / 0.210
Year to date change (%)	107.14
Free float (%)	41.62
Avg 30days volume ('000)	167.90
Major shareholders (%):	
Mit Technologies Pte	54.58
Kim Mone Kwong	2.10
Manufacturing Integ	1.56
Dimensional Fund Ad	0.27
Chin Tong Lim	0.10
Volkmar Walter Karl	0.05

Stock price relativity



Analyst

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MIT Ltd

- Commercial Sale of First Solar Equipment

- **A key milestone achieved:** MIT has just shipped out its first line of LS 800 laser scribers to an Asian customer. This marked a key milestone the company has achieved in venturing into solar business. The announcement of the first shipment came shortly after the launch of the Solar Business Unit on 31 August 2009. We are of the view that the first shipment would erase any doubt about the MIT's capabilities to leverage on the know-how and experience with semiconductor process technology to capitalize on lucrative renewable energy market.
- **Focus on solar equipments:** LS 800 laser scriber is just one of the complicated and advanced machines used in a solar production line. We believe MIT's Solar Unit has room for expansion as there are many other types of machines needed for other processings. The company will continue to focus on the design and assembly of solar panel production equipment utilizing both polycrystalline and thin film technologies.
- **Better sales mix:** Semiconductor industry is extremely cyclical. Many semiconductor companies with weak financial position were wiped out during the financial crisis. To counter the cyclical effect, MIT aims to grow its solar business to a significant contributor to its overall revenue and profits.
- **Sunny outlook for solar industry:** According to the PV status Report (August 2009), the Photovoltaic modules in 2008 with yearly growth rates averaging more than 40% over the last decade. Therefore, the potential for solar equipment is huge, with the trend for thin-film photovoltaic growing faster than the overall PV market
- **Increase production capacity:** In anticipation of future sales following its ongoing marketing efforts, MIT has begun scaling up its production capacity. The company plans to increase the capacity from 1 line a month to 3 lines a month.

Valuation and recommendation

- Although the solar business unit would not contribute significantly in FY09, we believe it will be a key contributor in following years. We expect FY10 results to turn black, due mainly to the contribution from solar business which commands higher margin as compared to the group's margin. By pegging to 1.5x FY10 NTA (previous 0.6x FY09 NTA) on the back of increasing orders from semiconductor customers and optimistic outlook for solar business, we derive a target price of S\$0.24. We think the downside risk for the share price is limited as the company is likely to make a gradual comeback following the collapse in business caused by global recession. Upgrade to **BUY**.

Financial snapshot

Year End: Dec	FY06	FY07	FY08	FY09E	FY10E
Revenue (S\$ m)	55.5	39.4	32.3	26.2	38.4
Gross Profit (S\$ m)	21.9	11.3	9.2	3.7	9.2
Net Profit (S\$ m)	7.3	1.3	(4.4)	(2.6)	1.2
EPS (S cts)	3.6	0.7	(1.9)	(1.2)	0.5
EPS Growth (%)	5.9%	-79.6%	-357.7%	35.1%	139.4%
P/E (x)	4.0	19.9	(7.7)	(11.9)	30.2
P/B (x)	0.7	0.7	0.8	0.9	0.9
EV/EBITDA (x)	(0.1)	3.0	(5.1)	(3.1)	8.9
ROE (%)	19.8%	3.9%	-10.7%	-7.8%	3.1%

Source: Company data; Westcomb research

Financial Table

Income Statement

(\$'m)	FY06	FY07	FY08	FY09E	FY10E
Revenue	55.5	39.4	32.3	26.2	38.4
COGS	(33.6)	(28.1)	(23.1)	(22.6)	(29.2)
Gross Profit	21.9	11.3	9.2	3.7	9.2
Other Op Income	1.2	1.1	0.4	1.1	1.1
Operating Expense	(13.3)	(11.8)	(13.8)	(8.7)	(9.6)
EBIT	9.8	0.6	(4.2)	(3.9)	0.7
Interest Income	0.9	0.7	0.2	0.7	0.6
Interest Expense	(0.0)	(0.1)	(0.1)	(0.0)	(0.0)
Associates and JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	10.6	1.3	(4.1)	(3.2)	1.3
Income Tax	(2.7)	0.3	0.0	0.6	(0.2)
Minorities	(0.6)	(0.3)	(0.3)	0.1	0.1
Net Profit	7.3	1.3	(4.4)	(2.6)	1.2
EPS (S cts)	3.6	0.7	(1.9)	(1.2)	0.5
EPS diluted (S cts)	3.6	0.7	(1.9)	(1.2)	0.5
DPS (S cts)	1.5	0.5	0.0	0.0	0.0
NTA per share (S cts)	19.8	19.3	16.9	15.6	16.1
EPS Growth	5.9%	-79.6%	-357.7%	35.1%	139.4%
DPS Growth	50.0%	-66.7%	-100.0%	nm	nm

Sector/Country (%)	FY06	FY07	FY08	FY09E	FY10E
Revenue Breakdown					
Solar	0%	0%	0%	4%	26%
Manufacturing	89%	87%	84%	78%	61%
Distribution	11%	13%	16%	18%	13%
Total	100%	100%	100%	100%	100%

Growth/Ratio (%)	FY06	FY07	FY08	FY09E	FY10E
Revenue Growth	3.4%	-29.0%	-18.1%	-18.7%	46.5%
Gross Profit Growth	3.3%	-48.4%	-18.6%	-60.0%	151.2%
Net Profit Growth	6.2%	-79.7%	-354.7%	-35.1%	-139.4%
Gross Margin	39.4%	28.6%	28.5%	14.0%	24.0%
Operating Margin	17.6%	1.5%	-13.1%	-14.9%	1.8%
Net Margin	14.2%	4.1%	-12.7%	-10.1%	2.7%
ROE	19.8%	3.9%	-10.7%	-7.8%	3.1%
ROC	19.0%	3.8%	-9.7%	-7.1%	2.9%
ROA	13.2%	2.9%	-7.5%	-5.6%	2.2%
Net gearing (x)	net cash	net cash	net cash	net cash	net cash
Interest Cover	266	21	-55	-165	51

Valuation	FY06	FY07	FY08	FY09E	FY10E
P/E (x)	4.0	19.9	(7.7)	(11.9)	30.2
P/B (x)	0.7	0.7	0.8	0.9	0.9
Divident Yield	10.3%	3.4%	0.0%	0.0%	0.0%
EV/EBITDA	(0.1)	3.0	(5.1)	(3.1)	8.9
Free Cash Flow	12.8	(2.9)	(6.0)	3.6	(1.9)
Cash Realization (x)	1.9	(0.6)	1.3	(1.6)	(1.4)
Capex / depreciation	1.0	1.9	0.3	0.5	0.6

Balance Sheet

(\$'m)	FY06	FY07	FY08	FY09E	FY10E
Cash & equivalentst	33.6	27.3	18.2	22.1	21.0
Receivables	12.3	11.9	9.9	7.4	10.4
Inventory	9.3	13.4	12.4	9.6	11.7
Others	0.0	0.0	0.8	0.8	0.8
Current Assets	55.2	52.6	41.3	39.8	43.9
Net PPE	3.3	3.7	2.8	2.5	2.3
Net Intangibles	0.0	0.0	0.0	0.0	0.0
Total Investments	0.0	0.0	0.0	0.0	0.0
Others	0.8	2.6	4.0	4.0	4.0
Total assets	59.3	58.8	48.0	46.3	50.1
Payables	10.7	13.6	8.0	10.0	12.3
Short-term Debt	0.4	1.0	1.4	0.7	0.9
Tax payables	4.0	1.2	0.9	0.3	0.5
Others	0.2	0.4	0.1	0.4	0.4
Total current liab	15.4	16.1	10.4	11.3	14.1
Long-term Debt	0.2	0.1	0.1	0.1	0.1
Others	0.0	0.0	0.0	0.0	0.0
Total liabilities	15.5	16.3	10.5	11.4	14.2
Shareholder's Equity	42.1	40.8	35.6	32.9	34.0
Minority Interests	1.7	1.8	2.0	2.0	2.0
Total Liab & Equity	59.3	58.8	48.0	46.3	50.1

Cash Flow

(\$'m)	FY06	FY07	FY08	FY09E	FY10E
Pretax Profit	10.6	1.3	(4.1)	(3.2)	1.3
Depreciation	0.8	1.1	1.2	0.6	0.6
Net Change in Wkg. Cap.	2.1	(0.6)	(6.6)	7.3	(2.8)
Tax Paid	(1.8)	(2.7)	(0.3)	0.0	0.0
Others	2.0	0.1	4.1	(0.7)	(0.6)
CF from operations	13.7	(0.8)	(5.7)	4.0	(1.6)
CapEx	(0.8)	(2.1)	(0.4)	(0.3)	(0.3)
Acquisitions	0.0	(0.5)	0.0	0.0	0.0
Divestitures	0.0	0.1	0.0	0.0	0.0
Interest Income	0.9	0.8	0.2	0.7	0.6
Others	(2.1)	(1.4)	(2.5)	0.0	0.0
CF from Investing	(2.1)	(3.2)	(2.6)	0.4	0.3
Dividends Paid	(2.6)	(2.9)	(0.6)	0.0	0.0
Issuance (Repurchase)	0.0	(0.1)	(0.5)	0.0	0.0
Borrowing/Repayment	(0.4)	0.6	0.4	(0.7)	0.2
Others	(0.0)	0.0	(0.0)	0.2	0.1
CF from Financing	(3.1)	(2.3)	(0.8)	(0.5)	0.2
Net effect of forex	(0.0)	(0.0)	(0.0)	0.0	0.0
Total Cash Flow	8.5	(6.3)	(9.0)	3.8	(1.1)

CCC	FY06	FY07	FY08	FY09E	FY10E
Receivables days	110	112	123	121	85
Inventory days	102	148	204	178	133
Payable days	(157)	(158)	(171)	(146)	(139)
Cash Conversion	55	102	157	153	79

Source: Company data; Westcomb research

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Trading Buy	: + 10% to + 15% range over the next 3 months
Hold	: +/- 15% range over the next 12 months
Trading Sell	: - 10% to - 15% range over the next 3 months
Sell	: >15% downside over the next 12 months

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