

Analyse this...

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Hisaka Holdings Ltd 2HFY10 results validate positive expectations

 HISA SP
BUY; TP:\$0.53

 Price @26/11/10: S\$0.42
52-week range (SGD): 0.21 – 0.43
Market cap – S\$72.6m

Maintain BUY; Target Price S\$0.53

- Maintain **BUY**, target price raised to **S\$0.53** (previously S\$0.45), still based on 7x P/E, the average CY12 P/E of its peers in the technology sector as we roll over to end-CY11. We introduce FY13 numbers but keep our FY11-12 earnings estimates intact, given that results met our expectation. Stock catalyst could come from a strong set of 1HFY11 numbers.
- 2HFY10 net profit of S\$5.4m (+397% yoy) came in within our forecast, forming 57% of our FY10 estimate. Strong improvements in revenue and gross profit margin on both yoy and hoh basis were the key positives, while the significantly expanded bottom line also benefited from better cost efficiencies. If the S\$0.95m forex loss (FY09 forex gain: +S\$0.22m) was excluded, net profit would have been S\$10.2m instead (FY09 net profit excluding forex gain: S\$0.46m).
- We expect a strong pick-up in orders from the semiconductor and automation sectors during the pre-festive period in 2QFY11 to prop up Hisaka's overall results for 1HFY11. In addition, expected continuing contributions from customers in the medical and eco-industries are expected to provide further support for the Group's earnings.

2HFY10 results within expectation

- 2HFY10 net profit of S\$5.4m (+397% yoy) came in within our forecast, forming 57% of our FY10 estimate. 12M10 net profit of S\$9.3m (+1261% yoy) represents 96% of our full year estimate. Strong improvements in revenue and gross profit margin on both yoy and hoh basis were the key positives, while the significantly expanded bottom line also benefited from better cost efficiencies. If the S\$0.95m forex loss (FY09 forex gain: +S\$0.22m) was excluded, net profit would have been S\$10.2m instead (FY09 net profit excluding forex gain: S\$0.46m).
- 2HFY10 revenue jumped 68% yoy to S\$44.4m (within expectations), as the Group continued to enjoy the strong pick-up in sales on the back of the gradual global recovery. Heartening was the fact that positive top line growth has been recorded in every half year since 2HFY09, with 2HFY10 revenue up 21.3% on a hoh basis. For full year FY10, turnover from services segment was up 145% yoy to S\$62.9m, turnover from the manufacturing segment grew 114% yoy to S\$17.9m, while sales from other products came in at S\$0.09m (-27% yoy).
- Its gross profit margin (GPM) also grew on both yoy and hoh basis. 2HFY10 GPM of 22.6% represents a 4% pts yoy improvement and a 1.1% pts hoh improvement. Profit contribution from its JV company grew 2.4x yoy to S\$1m, while operating expenses (as % of turnover) was down 1.3% pts yoy to S\$5m; operating expenses (as % of turnover) was 1.9% pts higher hoh due to the increased business activities. All in, net profit grew 397% yoy and 43% hoh to S\$5.4m.
- Cash generated from operations in FY10 was significantly higher at S\$7.4m as compared to the S\$1.2m in FY09. Net cash per share rose from 7.9 scts at end-Sep 09 to 9.5 scts at end-Sep 09.

Looking forward...

- **Expect more stable environments in 2011.** The spike in demand for components during FY2010 resulted in shortages and delivery issues of components worldwide. We believe that these situations in the semiconductor and automation industries will stabilise in 2011.

Looking forward...

- **Healthy outlook for the coming year.** Though demand in the semiconductor and automation sectors may taper off slightly in 1QFY11, we expect a strong pick-up in orders during the pre-festive period in 2QFY11 to prop up the overall results for 1HFY11. Contribution from the Group's customers in the Medical and ECO industries are expected to continue into the new financial year. This will mitigate any business volatility in the semiconductor and automation industries. The Group will aim to maintain its strong balance sheet while continuing to explore new business opportunities.

Forecasts summary

FYE Sep	2009	2010	2011F	2012F	2013F
Revenue (\$ m)	34.2	80.9	86.4	95.5	105.8
EBITDA (\$ m)	0.9	9.8	11.3	13.1	15.3
EBITDA margins (%)	2.7	12.1	13.0	13.7	14.5
Pretax profit (\$ m)	0.9	10.9	12.8	15.1	17.5
Net profit (\$ m)	0.7	9.3	10.6	12.5	14.5
EPS (S cts)	0.4	5.1	6.1	7.2	8.4
EPS growth (%)	-86%	+1366%	+20%	+18%	+16%
P/E (x)	120.0	8.2	6.8	5.8	5.0
Gross DPS (S cts)	1.0	1.8	1.0	1.0	1.0
Dividend yield (%)	2.4	4.2	2.4	2.4	2.4
P/NTA (x)	2.1	1.8	1.5	1.2	1.0
ROE (%)	1.7	23.6	23.8	23.3	22.2
Net cash per share (\$)	0.08	0.09	0.11	0.14	0.18
P/CF (x)	95.7	9.3	7.9	6.8	5.9
EV/EBITDA (x)	51.4	4.9	4.3	3.7	3.2

Source: CIMB Research, Company

Results summary

FYE Sep (\$ m)	2H10	2H09	yoy % chg	qoq % chg	FY10 Cum	FY09 Cum	yoy % chg	Prev. FY10F
Revenue	44.4	26.4	68.2	21.3	80.9	34.2	136.7	78.1
Operating costs	(38.8)	(25.1)	55.0	20.1	(71.2)	(33.2)	114.1	(67.3)
EBITDA	5.5	1.3	319.4	30.4	9.8	0.9	939.7	10.8
EBITDA margin (%)	12.4	5.0			12.1	2.7		13.8
Depn & amort.	(0.2)	(0.2)	6.6	13.7	(0.5)	(0.6)	(20.9)	(0.7)
EBIT	5.3	1.1	384.2	31.3	9.3	0.4	2,447.7	10.1
Interest expense	(0.0)	(0.0)	350.0	350.0	(0.0)	(0.0)	37.5	(0.0)
Interest & invt inc	0.0	0.1	(57.7)	(10.8)	0.1	0.2	(63.5)	0.1
Associates' contrib	1.0	0.3	243.4	109.5	1.5	0.4	283.0	1.1
Exceptionals	-	-	nm	nm	-	-	nm	-
Pretax profit	6.3	1.5	331.8	39.3	10.9	0.9	1,047.5	11.3
Tax	(0.9)	(0.4)	153.9	27.5	(1.7)	(0.3)	524.9	(1.7)
Tax rate (%)	14.9	25.3			15.4	28.3		15.0
Minority interests	(0.1)	0.0	nm	477.8	(0.1)	(0.0)	6,000.0	-
Net profit	5.4	1.1	397.2	42.6	9.3	0.7	1,261.2	9.6
Core net profit	5.4	1.1	397.2	42.6	9.3	0.7	1,261.2	9.6
EPS (cts)	3.0	0.6	435.4	42.6	5.1	0.4	1,365.9	5.3
Core EPS (cts)	3.0	0.6	435.4	42.6	5.1	0.4	1,365.9	5.3

Source: CIMB Research, Company

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HOLD: The stock's total return is expected to range between +15% and -15% over the next three months.

SELL: The stock's total return is expected to be -15% or worse over the next three months.

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