

## Hisaka Holdings

1H11 results update

## Overweight

Current Price **S\$0.47**  
26 April 2011

Fair Value **S\$0.55**

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## Historical Chart



Source: Bloomberg

## Stock Statistics

Market Cap	S\$81.2m
52-HI	S\$0.525
52-LOW	S\$0.225
Avg Vol (1 yr)	3,903,874
Shares Outstanding	172.8m
Free Float	105.0m

## Key Indicators

ROE 11F	21%
ROA 11F	17%
P/BK	1.65x
Net cash	S\$16.6m

## Major Shareholders

U9 Investment Pte Ltd	39.3%
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## Gaining traction from advanced technologies

- **Earnings above expectations.** 1H11 net profit of \$4m was above our net profit forecast of S\$3.8m due to better-than-expected gross profit margins and contribution from China JV. 1H11 results represent 48% of our full-year forecast. Traditional, Hisaka's results is stronger in the second half.
- **Sales inched up 3% yoy to S\$37.7m** mainly due to the higher contribution from semiconductor and Medical industry.
- **Gross margins expanded by 0.3% pts yoy to 21.8%**, due to better product mix from Medical division. There were also higher operating expenses from higher headcount for its technical department and new office set up in Suzhou, S\$0.4m forex loss, S\$0.13m impairment on inventories and trade receivables. Pretax and net profit dropped 6% and 4% yoy respectively.
- **Strong balance sheet.** Despite the fact that its cash conversion cycle increased by 18 days compared to end Sep-2010. Hisaka still generated strong positive free cash flow of S\$4.1m in 1H11. Including S\$4m dividend payout and share buy-back, net cash still remains at S\$16.6m. The group declared an interim dividend of 0.5 cents payable on May-16.
- **Singapore's semiconductor industry expects another bumper year for advanced technologies.** According to SEMI, there will be a 26% yoy growth in state-of-the-art 300mm wafer fabs' capacity in Singapore this year. This growth is far above the global forecast of 14% for 300mm wafer fabs and it implies continued momentum this year on top of the strong growth in 2010. Additionally, GlobalFoundries also plans to invest US\$5.4bn in capacity this year. We believe Hisaka will continue to benefit from the equipment spending in this region. South-east Asia is the largest market for packaging materials (backend equipment) with a 28% global share.
- **Still room to grow its medical division.** Hisaka has obtained EN ISO13485 Certification recently, a certification is necessary for medical device manufacturers who sell their products in the international market. The Singapore government is aggressively promoting itself as a leading medical hub in Asia and this could potentially benefit Hisaka.
- **Risk.** The concern is that shortages of vital parts and components from Japanese plants may lead to a slowdown in equipment spending.
- **Raise fair value to S\$0.55.** We have raised our FY11-13 earnings estimates by 2-7% to factor in higher contribution from its China JV. As a result, our fair value has been lifted from S\$0.52 to S\$0.55, still pegged at 8x PER FY09/12. Maintain **Overweight**.

## Key Financial Data

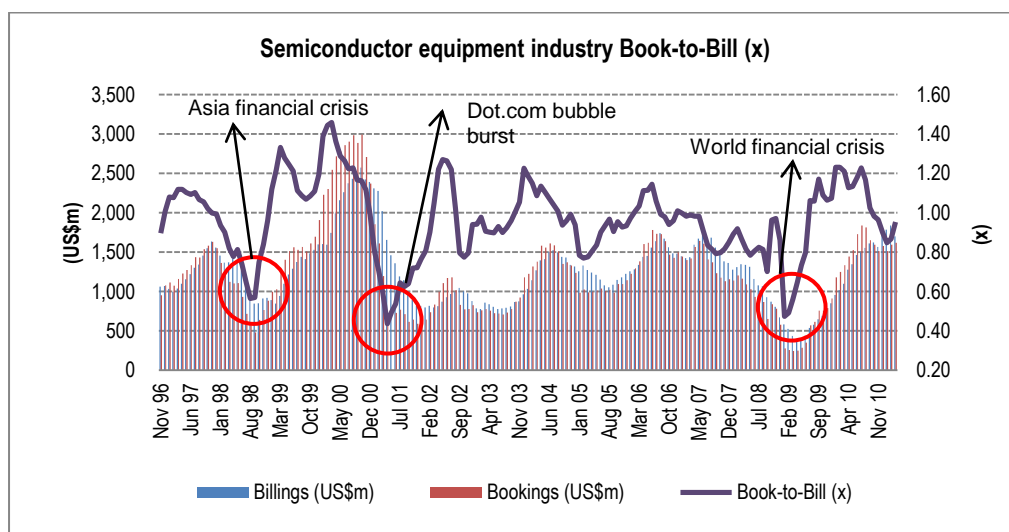
(S\$ m, FYE Sep)	2009	2010	2011F	2012F	2013F
Sales	34.2	80.9	85.0	91.2	99.3
Gross Profit	6.3	17.9	18.7	21.0	22.8
Net Profit	0.7	9.3	9.6	11.7	12.9
EPS (cents)	0.4	5.4	5.6	6.9	7.6
EPS growth (%)	(81.6)	1,390.9	4.8	22.3	10.5
PER (x)	130.6	8.8	8.4	6.8	6.2
NTA/share (cents)	19.9	23.6	28.4	33.5	39.3
DPS (cents)	1.0	1.8	1.8	1.8	1.8
Div Yield (%)	2.1	3.7	3.7	3.7	3.7

Source: Company, NRA Capital estimates

## Results comparison

FYE Sep (\$ m)	1H11	1H10	yoy % chg	2H10	hoh % chg	Prev. 1H11F	Comments
Revenue	37.7	36.6	3	44.4	(15)	38.2	In line
Operating costs	(33.2)	(32.2)	3	(39.1)	(15)	(34.2)	In line
EBITDA	4.5	4.4	2	5.2	(14)	4.1	Above, better-than-expected GPM
EBITDA margin (%)	11.9	12.0		11.8		10.6	1.3% point above our expectation
Depn & amort.	(0.3)	(0.2)	22	(0.2)	7	(0.2)	In line
EBIT	4.2	4.2	1	5.0	(15)	3.8	Above, better-than-expected GPM
Interest expense	(0.0)	(0.0)	(67)	(0.0)	(88)	(0.0)	In line
Interest & invt inc	(0.3)	(0.3)	6	(0.3)	(19)	0.2	Below, due to S\$0.4m forex loss
Associates' contrib	0.8	0.5	65	1.0	(21)	0.5	Above, better contribution from China JV
Exceptionals	(0.1)	0.5	(125)	0.3	(146)	0.0	Impairment on inventories
<b>Pretax profit</b>	<b>4.6</b>	<b>4.9</b>	<b>(6)</b>	<b>6.0</b>	<b>(22)</b>	<b>4.6</b>	In line
Tax	(0.6)	(0.7)	(21)	(0.9)	(38)	(0.8)	Below, lower-than-expected effective tax rate
Tax rate (%)	12.6	15.0		15.8		17.0	Below
Minority interests	(0.0)	0.0	<i>nm</i>	0.1	<i>nm</i>	0.0	
<b>Net profit</b>	<b>4.0</b>	<b>4.2</b>	<b>(4)</b>	<b>5.1</b>	<b>(20)</b>	<b>3.8</b>	6% above expectation
EPS (cts)	2.4	2.4	(2)	2.9	(19)	2.2	

Source: NRA Capital estimates



Source: SEMI April 2011

Profit & Loss (S\$ m, FYE Sep)	2009	2010	2011F	2012F	2013F
Revenue	34.2	80.9	85.0	91.2	99.3
Operating expenses	(33.6)	(71.3)	(74.7)	(79.3)	(86.4)
EBITDA	0.6	9.6	10.2	11.9	13.0
Depreciation & amortisation	(0.6)	(0.5)	(0.5)	(0.5)	(0.5)
EBIT	(0.0)	9.2	9.8	11.5	12.5
Net interest & invt income	0.6	(0.6)	(0.1)	0.3	0.3
Associates' contribution	0.4	1.5	1.8	2.2	2.6
Exceptional items	(0.0)	0.8	0.0	0.0	0.0
<b>Pretax profit</b>	<b>0.9</b>	<b>10.9</b>	<b>11.5</b>	<b>14.0</b>	<b>15.5</b>
Tax	(0.3)	(1.7)	(1.9)	(2.4)	(2.6)
Minority interests	0.0	0.1	0.1	0.1	0.1
<b>Net profit</b>	<b>0.7</b>	<b>9.3</b>	<b>9.6</b>	<b>11.7</b>	<b>12.9</b>
Wt. shares (m)	189.3	172.8	170.4	170.4	170.4
Shares at year-end (m)	189.3	172.8	170.4	170.4	170.4

Balance Sheet (S\$ m, as at Sep)	2009	2010	2011F	2012F	2013F
Fixed assets	2.6	2.4	2.1	1.9	1.7
Intangible assets	0.0	0.0	0.0	0.0	0.0
Other long-term assets	2.0	2.7	2.7	2.7	2.7
<b>Total non-current assets</b>	<b>4.6</b>	<b>5.1</b>	<b>4.9</b>	<b>4.6</b>	<b>4.4</b>
Cash and equivalents	15.1	16.4	18.3	20.5	27.8
Stocks	7.5	7.1	10.6	15.3	16.7
Trade debtors	14.9	23.3	24.5	27.1	29.6
Other current assets	2.2	2.0	1.9	2.1	2.3
<b>Total current assets</b>	<b>39.7</b>	<b>48.8</b>	<b>55.2</b>	<b>65.1</b>	<b>76.3</b>
Trade creditors	6.0	10.9	10.2	10.9	11.9
Short-term borrowings	0.0	0.0	0.0	0.0	0.0
Other current liabilities	0.5	1.9	1.3	1.6	1.7
<b>Total current liabilities</b>	<b>6.4</b>	<b>12.9</b>	<b>11.5</b>	<b>12.5</b>	<b>13.6</b>
Long-term borrowings	0.0	0.0	0.0	0.0	0.0
Other long-term liabilities	0.1	0.2	0.2	0.2	0.2
<b>Total long-term liabilities</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>
<b>Shareholders' funds</b>	<b>37.7</b>	<b>40.8</b>	<b>48.4</b>	<b>57.1</b>	<b>67.1</b>
Minority interests	0.1	0.0	(0.0)	(0.1)	(0.2)
NTA/share (S\$)	0.20	0.24	0.28	0.34	0.39
<b>Total Assets</b>	<b>44.3</b>	<b>53.9</b>	<b>60.1</b>	<b>69.7</b>	<b>80.7</b>
<b>Total Liabilities + S'holders' funds</b>	<b>44.3</b>	<b>53.9</b>	<b>60.1</b>	<b>69.7</b>	<b>80.7</b>

Cash Flow (S\$ m, FYE Sep)	2009	2010	2011F	2012F	2013F
Pretax profit	0.9	10.9	11.5	14.0	15.5
Depreciation & non-cash adjustments	0.1	(1.5)	1.6	(0.4)	(0.5)
Working capital changes	1.0	(1.6)	(5.5)	(6.7)	(2.9)
Cash tax paid	(0.9)	(0.4)	(1.8)	(1.2)	(1.4)
Others	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from operations</b>	<b>1.2</b>	<b>7.4</b>	<b>5.9</b>	<b>5.7</b>	<b>10.7</b>
Capex	(0.4)	(0.5)	(0.5)	(0.5)	(0.5)
Net investments & sale of FA	0.0	0.4	0.0	0.0	0.0
Others	0.3	0.1	0.0	0.0	0.0
<b>Cash flow from investing</b>	<b>(0.1)</b>	<b>(0.0)</b>	<b>(0.5)</b>	<b>(0.5)</b>	<b>(0.5)</b>
Debt raised/(repaid)	0.2	(0.0)	0.0	0.0	0.0
Equity raised/(repaid)	(1.4)	(4.1)	(0.5)	0.0	0.0
Dividends paid	(2.0)	(1.9)	(3.0)	(3.0)	(3.0)
Cash interest & others	(0.3)	0.0	(0.0)	(0.0)	(0.0)
<b>Cash flow from financing</b>	<b>(3.5)</b>	<b>(6.0)</b>	<b>(3.6)</b>	<b>(3.0)</b>	<b>(3.0)</b>
<b>Change in cash</b>	<b>(2.4)</b>	<b>1.3</b>	<b>1.9</b>	<b>2.3</b>	<b>7.3</b>
<b>Change in net cash/(debt)</b>	<b>(2.6)</b>	<b>1.4</b>	<b>1.9</b>	<b>2.3</b>	<b>7.3</b>
<b>Ending net cash/(debt)</b>	<b>15.0</b>	<b>16.4</b>	<b>18.3</b>	<b>20.5</b>	<b>27.8</b>

KEY RATIOS (FYE Sep)	2009	2010	2011F	2012F	2013F
Revenue growth (%)	(39.3)	136.7	5.0	7.3	8.9
EBITDA growth (%)	(86.9)	1,591.9	6.4	16.8	8.6
Pretax margins (%)	2.8	13.5	13.5	15.4	15.6
Net profit margins (%)	2.0	11.5	11.3	12.8	13.0
Interest cover (x)	119.6	991.0	3,308.6	2,263.9	2,296.3
Effective tax rates (%)	28.3	15.4	17.0	17.0	17.0
Net dividend payout (%)	278.0	32.6	31.3	25.6	23.2
Debtors turnover (days)	158.6	105.0	105.1	108.6	108.6
Stock turnover (days)	98.9	41.4	58.4	79.6	79.6
Creditors turnover (days)	63.5	49.4	43.8	43.8	43.8

Source: Company, NRA Capital Estimates

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