

Singapore Research

6 January 2003

Singapore Technology

 Reuters AAT.SI/AX
 Bloomberg AAT SP/AU

Priced on 6 January 2003

STI 1,339.9

Market cap
 S\$101m (US\$58m)

Shares in issue
 532.4m

Est free float
 84.0%

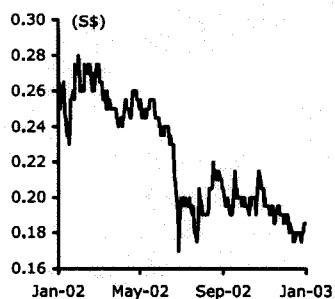
Major shareholder
 Tan Cheng Leong (12.0%)
 Wu Man Fan (4.0%)

3M average daily volume
 S\$0.1m (US\$0.1m)

12M high/low
 A\$0.35/0.15

Stock performance (%)

	1M	3M	12M
Absolute	(2.6)	(7.5)	(21.3)
Relative	(0.2)	(5.0)	(0.8)



Source: Reuters

www.clsa.com

Going regional

Business

Dual-listed on the main boards of the Singapore Exchange (SGX) and the Australian Stock Exchange (ASX), Autron is the largest vertically integrated distributor of capital equipment to the electronics industries in the Asia Pacific region. It distributes an extensive range of PCBA, PCB and back-end semiconductor equipment to more than 500 customers (which includes many blue chip MNC customers). The recent acquisition of IC Equipment provides Autron with an enhanced product offering, which include: 1) proprietary capital equipment products and 2) capital equipment manufacturing and design capabilities.

Competition & market franchise

The capital equipment distribution market is highly fragmented in terms of product offering and geographical coverage (industry consists mainly of small players selling single-brand products, and who tend to be domiciled in only one country). Autron is the only distributor that has a wide product offering and an Asian-wide coverage. Barriers to entry for principals and distributors include heavy distribution and marketing costs associated with selling complete turnkey solutions, as well as the relationships and technical expertise that are developed through time.

Key investment themes

- **Asian and China market leader.** Autron distributes an extensive pipeline of capital equipment to the electronics and manufacturing industry in Asia Pacific. The company has approximately 30 sales and engineering centres in the region (majority of which is in China), making it the largest distributor of capital equipment in Asia Pacific.
- **Established relationships with principals and customers.** Autron enjoys long-standing relationships with its principals, as well as with its customers. Such relationships take a long time to nurture and serve as an entry barrier for potential newcomers in the industry.
- **Key beneficiary of outsourcing trend.** Recent acquisition of IC Equipment also brings onto the table, proven design / manufacturing capabilities which Autron can leverage onto to expand and become a prominent player in the equipment outsourcing industry.

Financials

Year to 30 June	99A	00A	01A	02A
Revenue (A\$m)	35.9	51.2	185.7	160.4
Net profit (A\$m)	4.2	5.3	14.0	(17.2)
EPS (A¢)	34.3	9.1	3.2	(3.3)
CLSA/consensus (%)				
EPS (% YoY)	na	(73)	(65)	(203)
PEX (@A\$ 0.19)	0.6	2.1	5.9	(5.8)
ROE (%)	32.6	15.1	20.8	nm
DPS (S¢)	0.41	0.74	1.00	0.00
Dividend yield (%)	2.2	3.9	5.3	0.0

Source: CLSA Emerging Markets

Key investment themes

Autron is the leading equipment distributor in Asia Pacific

Asian and China market leader

- Autron is the market leader in the distribution of capital equipment in the Asia Pacific.
- Autron has an approximate 30 sales and engineering centres in the region with 20 sales and engineering centres based in China.
- Autron's customer base exceeds 500 customers, including blue-chips such as Asustek, Compaq, Celestica, Delphi, Ericsson, Flextronics, Hewlett Packard, Motorola, NEC, Nokia, Philips, Seagate, Solectron, SCI Sanmina and Thomson.

Good relationships with both customers & principals = Strong entry barrier

Established relationships with principals and customers

- Autron enjoys long-standing relationships with principals supplying equipment for the entire PCBA and PCB assembly processes.
- The recent acquisition of IC Equipment provides Autron with a wider range of product offering, including proprietary back-end semicon equipment developed by IC Equipment.

Some products distributed by Autron ...

Figure 1

PCBA Process

Products	Principal
MPM auto screen printer	Cookson Electronics
PCB loader, PCB unloaders	Nutek
Electrovert reflow ovens	Cookson Electronics
Electrovert wave soldering machines	Cookson Electronics
SCS conformal coating system	Cookson Electronics
Pick-&-Place equipment	Assembleon
Odd-shape component placement system	Celtronix
X-ray inspection technology equipment	VJ Technologies
In circuit testers	Test Research
Automated optical inspection systems	VITechnology

Source: CLSA Emerging Markets

Figure 2

Back-end Semiconductor Process

Products	Principal
MPM wafer printer	Cookson Electronics
Camalot liquid dispensing system	Cookson Electronics
Discrete semiconductor testers	Tesec
ACCEL ball grid array cleaner	Cookson Electronics

Source: CLSA Emerging Markets

Recent acquisition allows Autron to tap into the growing equipment contract manufacturing market

Key beneficiary of outsourcing trend

- Besides owning proprietary technology of backend semicon equipment, recent acquisition IC Equipment also brings to the table, proven design / manufacturing capabilities which Autron can leverage on to tap into the equipment contract manufacturing business.
- Given IC Equipment's production facility in China (Shanghai), Autron is well-placed to benefit from the fast growing China market and the accelerating equipment outsourcing trend.