Singapore
Research

CAZENOVE

Initiating coverage 11 June 2003

Autron Corp

RECOMMENDATION		PRICE	
BUY		**S$0.225**	
SECTOR		REUTERS CODE	BLOOMBERG CODE
Electronics		**AAT.AX AAT.SI**	**AAT AU AAT SP**
12 MONTH RANGE		MARKET CAPITALISATION	ENTERPRISE VALUE
S$0.24 – $0.16		**S$154m (US$89m)**	**S$155m (US$90m)**
NEXT RESULTS DUE	LAST RESULTS	CHANGE IN RECOMMENDATION	
September 2003 (F)	**14 March 2003 (I)**	**N/a**	
		CHANGE IN EPS ESTIMATES	
		N/a	

ANALYST
WaiMun.Leong@cazenove.com CFA
Tel +65 6423 0078

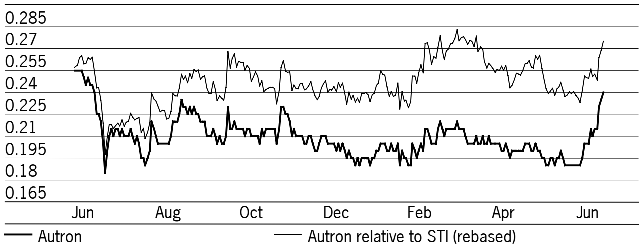
Autron is transforming from an equipment distributor to a manufacturer of equipment, spares and consumables for the electronics industry. This progression up the value chain, coupled with the foray into the lucrative reconditioned equipment market, is expected to have a positive impact on both margin and return on capital. After suffering losses in FY02 resulting from restructuring charges and trade debt provision, Autron's interim results for FY03 highlight the earnings recovery. We expect the earnings momentum to continue in FY04 and FY05 as the new businesses in reconditioned equipment and manufacturing begin to make meaningful contributions. We are forecasting an FY03 profit of A$12.6m, followed by 24% and 18% EPS growth in the following years. Our 12-month price target of S$0.295 is based on 12x CY03 earnings (compared with the peer average PER of 17.4x). BUY.

Autron is one of Asia's leading distributors of capital equipment with an estimated 20% market share. Its customer base consists of 500 international and Asian companies in the electronics, semiconductor and PCB markets. The restructuring in FY02 has focused more resources on North Asia while streamlining South Asia's cost structure. This core business is benefiting from the strong manufacturing investment inflows to China.

The two new businesses of reconditioned equipment and manufacturing will enable Autron to achieve a sector–leading returns :– pre–tax margin of 8.6% in FY03 and a commendable ROE of 18.7% by FY04.

Autron's established distribution network and after–sales capabilities are key ingredients for success in the reconditioned equipment market. This market has flourished as manufacturers cope with reduced expenditure budgets amidst the electronics downturn. Autron's move to co–manufacture with it's principals will allow the latter to rapidly shift production to Asia as part of cost reduction efforts.

Share price performance



Source: Bloomberg

Share price (%)		**–1 mth**	**–3 mth**	**–12 mth**
Ordinary shares		+22	+18	–4
Relative to sector		–	–	–
Relative to STI		+12	–0	+11
Average daily volume shares (12 months)				3.9m
STI				1,440.92
Year end: 30 June	**2002**	**2003E**	**2004E**	**2005E**
Sales (A$m)	152.6	176.9	216.7	248.1
EBITDA (A$m)	7.5	23.9	27.5	32.3
PBT (A$m)	(16.2)	15.3	19.4	23.2
Tax (%)	(4.5)	18.0	18.0	18.0
Earnings (A$m)	(17.2)	12.6	15.8	18.8
EPS (A cents)	(3.3)	1.8	2.3	2.7
% growth	nm	nm	+24.2	+18.2
DPS (A cents)	0.00	0.55	0.68	0.81
% growth	nm	nm	+24.2	+18.2
Div cover (x)	nm	3.3	3.3	3.3
PER (x)	**nm**	**11.7**	**9.4**	**8.0**
Yield (%)	**0.0**	**2.6**	**3.2**	**3.8**
Operating margin (%)	(9.7)	9.9	9.5	9.9
EV/EBITDA (x)	19.8	6.2	5.4	4.6
EV/sales (x)	1.0	0.8	0.7	0.6
Market cap:sales (x)		0.83		
NAV (A cents)	9.2	11.7	13.0	14.5
Interest cover (x)	nm	9.4	18.0	18.9
Gearing (%)	25	21	13	3
ROE (%)	(3.5)	13.4	18.7	19.8
No of shares in issue (m)				685.9
Major shareholder				Cheng–Leong, Tan (MD) 9.3%

A = Australian dollars

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London +44 (0)20 7588 2828 Hong Kong +852 2526 4211 New York +1 212 376 1225
Singapore +65 6227 1511

1.0
Valuation

For a meaningful comparison against the peer group, we have used Autron's calendar year EPS of A$0.023 (or A$0.018 excluding recovery of trade debt) and A$0.025 for 2003 and 2004 respectively. This translates to prospective PERs of 9.2 and 8.7x.

Despite the recent run up in the shares, Autron remains attractively priced against the peer average PER of 17.4x CY2003 and 13.5x CY2004. The company's pre–tax margin is superior to the listed competitors (figure 1.1 below) and its ROE is projected to surpass even Digital China in the following fiscal year (figure 1.2). Autron also has attractive EPS growth averaging in excess of 20% in FY04 and FY05.

Our 12–month target price of S$0.295 is based on a CY03 PER of 12x (still a discount to the peer average of 17.4x) and represents 31% upside.

Fig 1.1 Peer valuation and EPS growth – calendar year

		Price	**Mkt cap**	**2Y EPS**	**|– PER (x) –calendar yr –|**			**|– EPS ($) –calendar yr –|**		
June 10	**Code**	**($)**	**US$m**	**CAGR%**	**2002**	**2003**	**2004**	**2002**	**2003**	**2004**
Autron	AAT SP	0.225	90	nm*	(11.7)	9.2	8.7	(0.018)	0.023	0.025
Digital China	861 HK	2.5	275	+11.4	12.3	11.1	9.9	0.204	0.225	0.253
Synnex	2347 TT	48.7	929	–2.9	12.7	15.3	13.5	3.82	3.18	3.6
Ingram	IM US	10.5	1586	+27.8	21.4	17.8	13.1	0.49	0.59	0.8
Tech Data	TECD US	24.9	1411	–7.7	10.6	14.9	12.5	2.35	1.67	2.0
Arrow Elec	ARW US	16.6	1674	+137.2	103.8	27.7	18.4	0.16	0.6	0.9
Peer avg					32.2	17.4	13.5			

*2Yr EPS CAGR not meaningful due to losses in FY02. But Autron is forecast to average in excess of 20% earnings growth in FY04 and FY05

Source: Bloomberg, Cazenove estimates

Fig 1.2 Peer comparison of PBT margin and ROE – Fiscal year

	|------ PBT margin (%) ------|			**|--------- ROE (%) ---------|**		
	HY	**F1**	**F2**	**HY**	**F1**	**F2**
Autron	(10.6)	8.6	9.0	(3.5)	13.4	18.7
Digital China	1.9	1.6	1.6	22.1	14.0	14.0
Synnex	2.2	3.9	3.9	15.3	11.9	10.5
Ingram	0.04	0.7	0.9	(15.7)	2.7	7.5
Tech Data	(0.84)	0.9	1.1	(15.4)	8.4	9.1
Arrow Elec	0.24	1.2	1.8	(40.7)	5.2	8.3

Note: PBT margin and ROE comparison based on fiscal year

Source: Bloomberg, Cazenove estimates

We have used an exchange rate of S$1.05 for each Australian dollar in our valuations.

2.0 Background

2.1 Overview

Autron Corp is a fully integrated supplier of assembly equipment and services to the electronics industry with an estimated 20% share of the electronics capital equipment market in Asia and China. It provides sales, distribution, servicing and manufacturing services. The manufacturing arm was established in October 2002 when Autron acquired IC Equipment (S) Pte Ltd, a small but reputable company with 20 years' experience in the design and contract manufacturing of semiconductor back–end equipment.

Autron operates an extensive network in the Asia Pacific region, supporting a total of more than 30 sales and service centres in Singapore, Malaysia, Thailand, Philippines, Indonesia, Australia, Taiwan, Hong Kong and China. Today, it has over 500 customers from seven countries spread over the Asia Pacific region. The company's business is managed by two core operating units:

- North Asia Group, which represents China, Hong Kong and Taiwan, has a network of 20 sales and service centres. The two key subsidiaries are American Tec Group (AmTec) and Taiwan Autron Corporation Group (Taiwan Autron).

- South Asia Group, which represents mainly ASEAN, has 15 sales and service centres in Singapore, Malaysia, Thailand and the Philippines. The group is made up of Autron (S.E.A.), Smartag (S) Pte Ltd, and IC Equipment (S) Pte Ltd (ICEqmt).

2.2 History

Autron Corporation Limited is a Singapore–based company listed on both the mainboard of the Singapore and Australian stock exchanges. Autron began as an investment holding company incorporated in Australia on 10 January 1985 as Pacific Communications Holdings Ltd. The company's shares were listed on the ASX and SGX in January 1986 and May 2001 respectively.

Back in the 1980s, the company was involved in closed circuit television (CCTV) importation and distribution in the region. Faced with continuing operating losses, the company sold its CCTV business. On 11 June 1998, the company changed its name to Australasian Technology Corp Ltd, and soon thereafter acquired Niche Tech. Niche Tech's principal business was the sales and distribution of capital equipment for the manufacturing of electronics equipment, and it formed the company's new core business.

The company changed to its present name on 29 June 2000.

In 2000, Autron acquired American Tec Co Ltd, a Hong Kong–based distributor of capital equipment to printed circuit board assembly (PCBA) and semiconductor back–end assemblers in China and Hong Kong. It also acquired 52% of Smartag (S) Pte Ltd, a provider of transponder products and electronic identification labels.

In 2001, Autron successfully completed the acquisition of two leading suppliers of electronics equipment in Taiwan: Taiwan Sigma Equipment Corporation, an established equipment distributor of 25 years carrying Speedline products; and Info–Tek Technology Corporation, which distributes Siemens products. These businesses are currently grouped under a newly incorporated Taiwanese subsidiary, Taiwan Autron Corporation.

Fig 2.1 Recent milestones

Date	Details
April 2003	Secured contracts worth US$53m from electronics manufacturers in China. Raised A$5.1m through the issue of 30.418m new shares to institutional investors. Funds raised used for working capital requirements in part of business expansion (widening of distribution and service network in China, and expansion of equipment reconditioning business).
February 2003	Autron raises A$9.9m from new shares placement to Seletar Investments, a wholly owned subsidiary of Temasek Holdings. 59.047m new shares issued. Funds to be used for (1) expanding Autron's distribution, manufacturing and design facilities in China and (2) expansion of equipment reconditioning business.
October 2002	Autron establishes own manufacturing arm through the acquisition of IC Equipment. ICEqmt has design and manufacturing capabilities for back–end semiconductor equipment. Consideration of A$5m which is to be settled by the issue of 16.67m new shares.
February 2002	Autron is picked by Philips' capital equipment manufacturing arm (Assembleon) to be its strategic partner (for fulfilment and services) for Asia due to Autron's extensive network in the region. Assembleon is one of four major capital equipment manufacturing companies in the world. Autron will have the opportunity to set up assembly facilities in Asia for Assembleon while sharing intellectual property.

Source: Autron

3.0
Operational review

Fig 3.1 SWOT analysis – Autron Corp

Strengths	Weaknesses
• Owns and operates one of the largest distribution pipeline for electronics capital equipment in China and Asia. Has an estimated 20% market share in both markets. Autron's Asian network consists of more than 30 sales and 24–hour engineering centres. • Strategic partner to Assembleon (Philips' capital equipment arm) in Asia. Assembleon is one of four major pick and place equipment makers worldwide. Autron is also the exclusive distributor for both Cookson and VITech in North Asia & ASEAN. • Acquisition of ICEqmt has added product development, equipment design and manufacturing capabilities to Autron. ICEqmt has close to 20 years' experience in the semiconductor back end equipment market.	• Autron's shift into equipment manufacturing will need time, eg to get the supply chain appointed and qualified by the principals. • Autron's experience is in equipment distribution and after–sales service while ICEqmt is a small–scale manufacturer, so there may be some execution risk as Autron ramps production. However, a substantial portion of the manufacturing will be outsourced while Autron will focus on product development, final assembly and testing. • The strategic partnership with Assembleon could be a double–edged sword. Autron is now indirectly competing with the other three major pick and place equipment brands – Siemens, Fuji and Panasonic.
Threats	**Opportunities**
• Margin on the core equipment distribution business is usually under pressure. However, Autron's shift into the reconditioned equipment market as well as into manufacturing services will enable the group's blended margin to improve. • Autron may become more asset–heavy as it progresses into the manufacturing of equipment, spares and consumables. However, a substantial portion of the manufacturing will be outsourced while Autron will focus on product development, final assembly and testing. • In light of SARS, some OEMs are re–evaluating the risk of over–relying on manufacturing in China. This may result in some manufacturing being re–allocated to ASEAN or other parts of the world. Autron will be able to capture manufacturing investments in ASEAN but not if these investments go to Mexico or Eastern Europe.	• Benefiting from FDI flows into China and other parts of Asia as manufacturers worldwide seek lower production cost centres. We believe that over the last two years only Asia and China have seen growth in the capital equipment market. • Progressing up the value added ladder from distribution to being a manufacturer of equipment, spare parts and consumables. This will raise the profit margin and ROE. Will co–manufacture equipment with principals and also have own brand consumables. • Tapping the growth of the reconditioned capital equipment market. Lower capital expenditure budgets for electronics manufacturers have helped the reconditioned equipment market to flourish. Autron's engineering and after–service capabilities are key ingredients for success in this new area.

Source: Autron, Cazenove

Owns and operates one of the largest distribution pipeline for electronic equipment in Asia. Apart from established relationships with key principals and customers, Autron has more than 30 sales and 24–hour engineering application centres spanning more than 10 countries in Asia. The company estimates that it has a 20% share of the electronics capital equipment market in both Asia and China. Autron's customer base consists of over 500 international and Asian clients, including Asustek, Acer, Delphi, Ericsson, Foxconn, Flextronics, Mektec, Nokia, Motorola, Orient Semiconductor, Seagate, Solectron, TCL Communication and Venture.

Benefiting from FDI flows into China and other parts of Asia. The electronics industry continues to migrate to lower cost manufacturing regions and Asia – especially China – has been benefiting. Autron has 20 sales and engineering centres dedicated to support China operations.

Furthermore, the rise of domestic OEMs in China like TCL, Huawei and Chang Hong is also fuelling the need for capital equipment.

Progressing up the value added ladder in the electronics supply chain. Autron is moving from being a distributor of manufacturing equipment to becoming a manufacturer of electronics capital equipment (contract manufacturing, co–manufacturing with principals and consumables). Autron's key principals are in favour of the company's move into manufacturing as it allows the principals to accelerate their cost reduction initiatives through the shift of equipment and parts production to Asia. In October 2002, Autron acquired a small Singapore–based semiconductor back end equipment maker. This acquisition has added design, engineering and manufacturing capabilities to Autron's existing distribution network. We believe that the manufacturing margin will be better than that of the core equipment distribution business.

Tapping the growth of the re–conditioned capital equipment market. The current environment of declining earnings and cash flow is helping the second hand capital equipment market to flourish. Given Autron's background as the after–sales service provider – ie fully equipped with the proper engineering skills from its principals – the company has been able to capitalise swiftly on this trend in favour of reconditioned equipment. Autron sources equipment from manufacturers that are downsizing operations (mostly in the Western world) and reconditions them for sale in China and other parts of Asia. We expect the gross margin on reconditioned equipment to be up to twice that of the existing equipment distribution business.

Strategic partner to Assembleon (Philips' SMT equipment arm) in Asia. Last year, Autron was selected by Assembleon to be the exclusive distributor and after–sales service partner for Asia. This underscores Autron's established distribution and service network in Asia. There will be the opportunity for Autron to manufacture some parts of the Assembleon equipment in Asia as part of cost reduction efforts by Philips. Autron is also the exclusive distributor for Cookson and VITech in North Asia and ASEAN.

Fig 3.2 Autron's key equipment principals

Equipment type	Principal
Pick & Place Equipment	Assembleon
MPM auto screen printer	Cookson Electronics
Electrovert reflow ovens	Cookson Electronics
Electrovert wave soldering machines	Cookson Electronics
SCS Conformal coating system	Cookson Electronics
Automated optical inspection machine	Vi Technology
X–ray inspection technology equipment	Vi Technology
In Circuit testers	Test Research Inc
PCB loader, unloaders	Nutek Pte Ltd
Odd–shape component placement	Celtronix Ltd

Source: Autron

A standard PCBA or surface mount technology (SMT) line consists of: PCB loader, conveyor belt, automatic solder paste printer, one to two types of pick and place machines for different components, pre–reflow inspection machine, reflow oven, post–reflow inspection machine and PCB unloader.

The key sales and engineering centres are:

- North Asia: Hong Kong, Taiwan (Taoyuan, Kaoshiung) and China (Shanghai, Beijing, Suzhou, Nanjing, Tianjin, Xian, Chengdu, Shenzhan & Dongguan)

- South Asia: Singapore, Malaysia, Thailand, the Philippines and Australia.

Fig 3.3 Electronics capital equipment industry: Porter's five competitive forces model

- Compared with the distributors, the equipment principal usually has more bargaining power. However, principals have to work closely and equitably with the distributor to ensure the latter's financial viability.
- Equipment principals usually use a small group of distributors (each in charge of a particular region or province) and may also use direct sales for the large accounts.

Suppliers

Bargaining power of suppliers

MEDIUM/HIGH

- Many small equipment makers and distributors have shut due to the three–year downturn in technology spending.
- Only the larger and financially strong players have survived and we believe that the barriers to entry are higher now than before.
- Successful distributors need an established network, strong working capital and sound relationships with principals.

Potential entrants

Threat of new entrants

LOW/MEDIUM

Industry competitors

Rivalry among existing firms

HIGH/MEDIUM

- The electronics assembly equipment market is characterised by a handful of key principals. For the pick and place equipment (ie stuffing components on to the printed circuit board) the top four brands (Assembleon, Siemens, Fuji and Panasonic) control roughly 90% of the global market.
- There is stiff competition among the key brands but most customers use a variety of equipment to avoid being held captive.
- Assembleon uses Autron exclusively in North Asia and ASEAN while the other three key brands use a variety of brokers, distributors and direct sales.

Substitutes

Threat of substitute products

LOW

- We do not expect any substitute products to replace the current pick and place equipment or any other part of the PCBA line.

Buyers

Bargaining power of buyers

HIGH/MEDIUM

- The three–year downturn in the technology industry has put more bargaining power in the hands of buyers.
- However, customers avoid concentrating on one brand to prevent being held captive.
- Both the equipment makers and distributors are under margin pressure. So equipment makers need to reduce production costs while distributors need to diversify the earnings stream.
- However, with the downsizing of production capacity by equipment makers, any surge in demand may result in higher equipment prices due to the supply constraints.

Adapted from: Porter 1980 p.4.
Source: Cazenove

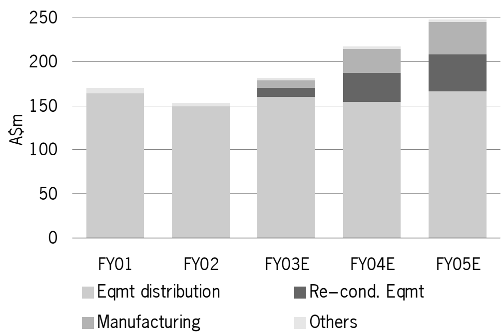
4.0
Financial review and projections

4.1 FY03 preview

Fiscal year ending June 2003 will be a recovery year for Autron following the loss of A$17m last year arising from restructuring charges and provision for doubtful debt. We expect a full year profit of A$12.6m on sales of A$177m (includes A$4m from recovered trade debt). The earnings recovery will be driven by the core equipment distribution business, the absence of restructuring charges/debt provisions as well as initial contributions from the two new business units of reconditioned equipment and manufacturing.

We expect the equipment distribution business to account for roughly 90% of group sales and gross margin. The reconditioned equipment and manufacturing operations will account for the remainder. The FY2003 projected operating margin of 7.7% (or 9.9% including debt recovery) compares favourably with the breakeven situation last year (excluding charges and specific debt provision).

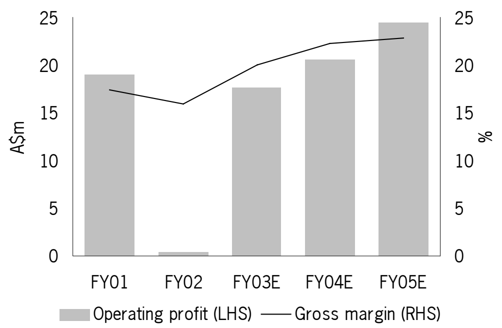
Fig 4.1 Sales mix by business



Note: The FY02 operating profit figure excludes restructuring charges and specific debt provision

Source: Autron, Cazenove

Fig 4.2 Operating profit & gross margin trend



Source: Autron, Cazenove

4.2 Earnings growth momentum

Looking ahead, we expect EPS growth of 24% and 18% in FY2004 and FY2005 respectively, driven mainly by the new businesses. These two new business units are expected to contribute roughly 27% and 32% of group revenue in FY2004 and FY2005 respectively.

We expect the operating margin to improve gradually as the higher–margin reconditioned equipment and manufacturing businesses kick in. Our operating margin figures for FY2004 and FY2005 are 9.5% and 9.9% respectively (up from 7.7% in FY2003 excluding the recovery of trade debt).

4.3 Most recent results

For the interim results ended December 2002, Autron reported a recovery in earnings to A$4m (from a loss of A$2.6m in prior period). Sales declined 18% YoY to A$82m but surged 56% from the preceding six months. Sales from all geographies improved, especially in China (up 84% sequentially). There was no trade debt recovered in the interim period.

For the year ended 30 June 2002 (FY2002), Autron reported a net loss of A$17.2m, which was the result of:

- A$5.5m for the restructuring of the South–East Asia operations, amortisation of goodwill for previous acquisitions and a write down of deferred costs.
- A$9.7m provided for non–collected chemical sales in FY2001 (some of this debt has been recovered in FY2003).

The restructuring exercise in FY2002 helped to reduce operating expenses by 40%. More importantly, Autron's resources have been realigned to focus more on North Asia.

4.4
Cash flow and debt

Autron is expected to end FY2003 with a net gearing of 21% or net debt of about A$17m. The company is building up working capital due to the expansion into reconditioned equipment and manufacturing. However, the issue of new shares during the year raised A$15m and the full year net cash flow is forecast to be A$5m. The net debt rose from A$12m to A$17m during the year mainly due to the acquisition of ICEqmt (which had debt of around A$10m).

Barring further acquisitions, we expect net cash flows in FY2004 and FY2005 of A$5m and A$9m respectively. The net debt level is projected to decline to A$12m and A$3m by the end of FY2004 and FY2005 respectively.

Profit and loss accounts

Year end: June	2001	2002	2003E	2004E	2005E
	A$'000	A$'000	A$'000	A$'000	A$'000
Sales	170,226	152,578	176,897	216,707	248,092
Dep/amort	(1,952)	(4,217)	(5,966)	(6,981)	(7,818)
Exch effects	2,237	(2,886)	(4,303)	0	0
COGS	140,716	128,352	141,502	168,435	191,557
Gross profit	**29,510**	**24,226**	**35,395**	**48,272**	**56,534**
Other Income	15,497	7,837	8,795	9,763	10,869
Operating exp	26,082	31,684	30,603	37,490	42,920
Exceptional	0	(15,200)	4,000	0	0
Operating inc	**18,925**	**(14,821)**	**17,586**	**20,544**	**24,484**
Financing	(1,638)	(1,420)	(2,291)	(1,139)	(1,298)
Pre–tax	17,287	(16,241)	15,295	19,405	23,186
Tax	(3,265)	(732)	(2,753)	(3,493)	(4,173)
Minority	(7)	(269)	66	(150)	(250)
Net earnings	**14,015**	**(17,242)**	**12,608**	**15,762**	**18,762**
EPS (cents)	2.9	(3.3)	1.8	2.3	2.7
Shares out–FD	516,397	533,795	689,236	694,020	698,804
Y/Y change (%)					
Sales	379.4	–10.4	15.9	22.5	14.5
Gross profit	296.2	–17.9	46.1	36.4	17.1
Operating	112.9	–178.3	–218.7	16.8	19.2
EPS		–213.8	–155.4	24.2	18.2
Shares out–FD		3.4	29.1	0.7	0.7
Margin (%)					
Gross profit	17.3	15.9	20.0	22.3	22.8
Operating	11.1	–9.7	9.9	9.5	9.9
Tax	18.9	–4.5	18.0	18.0	18.0
Net earnings	8.2	–11.3	7.1	7.3	7.6

Balance sheets

Year end: June	2001	2002	2003E	2004E	2005E
	A$'000	A$'000	A$'000	A$'000	A$'000
Cash assets	17,218	5,939	11,872	17,247	26,149
Receivables	52,298	38,216	50,981	60,230	68,952
Inventories	20,634	33,218	49,591	56,299	65,077
Others	2,226	952	952	952	952
Current assets	92,376	78,325	113,396	134,728	161,130
Fixed assets	4,166	7,041	19,068	19,257	18,252
Intangibles	22,003	46,463	46,965	45,156	43,304
Others	1,329	1,273	670	66	66
Non–current assets	27,498	54,777	66,703	64,479	61,622
Trade creditors	44,758	63,375	63,882	71,989	82,396
ST debt	784	17100	19386	19386	19386
Tax/provisions	3,418	2,067	2,877	3,617	4,297
Dividend	2,472	0	3,782	4,729	5,629
Current liabilities	51,432	82,542	89,927	99,720	111,708
LT debt	797	1192	9460	9460	9460
Deferred tax	171	148	148	148	148
Net assets	**67,474**	**49,220**	**80,563**	**89,879**	**101,437**
Contributed equity	44,138	48,753	76,197	77,058	77,919
Reserve/profit	22,794	–295	3,671	11,975	22,422
Minority	542	762	696	846	1096
Total equity	**67,474**	**49,220**	**80,563**	**89,879**	**101,437**

Cash flow statements

Year end: June	2001	2002	2003E	2004E	2005E
	A$'000	A$'000	A$'000	A$'000	A$'000
Profit	14,022	(16,973)	12,608	15,762	18,762
adjustments:–					
Depr/amorti	1,755	4,205	5,966	6,981	7,818
Income tax/others	(418)	(1,542)	(732)	(2,753)	(3,493)
Provision–debt/stock	3,081	12,024	1,238	1,517	1,737
Exchange effects	0	1,690	4,303	0	0
	18,440	(596)	23,383	21,507	24,824
Working cap chg	(10,676)	(7,834)	(27,410)	(7,850)	(7,094)
Cash flow–operating	**7,764**	**(8,430)**	**(4,027)**	**13,657**	**17,730**
FA purchase(net)	(3,440)	(2,949)	(2,880)	(4,500)	(4,100)
Acquisitions	(8,003)	(8,786)	(2,400)	0	0
Others	(895)	(834)	0	0	0
Cash flow–investing	**(12,338)**	**(12,569)**	**(5,280)**	**(4,500)**	**(4,100)**
Issue of shares(net)	2,573	(605)	15,034	0	0
Chg in debt	(700)	12,034	0	0	0
Dividend paid	(1,872)	(4,130)	0	(3,782)	(4,729)
Others	(793)	(1,134)	0	0	0
Cash flow–financing	**(792)**	**6,165**	**15,034**	**(3,782)**	**(4,729)**
Exchange effects	742	(1,122)	0	0	0
Net chg in cash/equiv	**(4,624)**	**(15,956)**	**5,727**	**5,375**	**8,902**

Key ratios

Year end: June	2001	2002	2003E	2004E	2005E
Solvency ratios					
Net debt/equity (%)	cash	25	21	13	3
Net cash/(debt) ($m)	15.6	(12.4)	(17.1)	(11.8)	(2.8)
Current ratio (x)	1.8	0.9	1.3	1.4	1.4
Interest cover (x)	11.6	n.m.	9.4	18.0	18.9
Efficiency ratios					
Inventory days	109	88	102	97	96
Debtor days	54	94	128	122	124
Creditor days	116	180	165	156	157
Ave. fixed asset turns	41	27	14	11	13
ROCE (%)	27	1	12	17	19
ROAE (%)	28	–4	13	19	20
Value ratios					
EV/sales (x)	0.9	1.0	0.8	0.7	0.6
EV/EBITDA (x)	8.0	19.8	6.2	5.4	4.6
PER (x) – Fiscal year	7.8	Loss	11.7	9.4	8.0
PER (x) – Calendar year	n.a.	Loss	9.2	8.7	n.a.
P/CFPS (x)	7.3	Loss	8.3	6.9	5.9

Management	
Managing Director	Tan Cheng–Leong
Executive Director	Samuel Wu
Executive Director	Dr Lim Boh–Soon
CFO	Thomas Yak

Shareholder information (date) %	
Tan Cheng–Leong (MD)	9.3
Samuel Wu (ED)	3.1
Temasek Holdings	8.6
Simon Lee	3.4
Lim Tock–Yen (Director, ICEqmt)	2.2

Market information	
Estimated free float %	65%
Main listing(s)	Australian Exchange/Singapore Exch
Average daily volume (3 months)	4.9m

Capital history – ordinary shares		
Number of shares (May 2003)		685.9m
Nominal value		N.A.
Last issue (new shares)	April 2003	30.4m

Seasonality (%)	Sales	Op. Profit
H1	55	55
H2	45	45

Business profile (%) – FY2003E	Sales	Op. Profit
Equipment distribution	91	87
Re–conditioned equipment	3	6
Manufacturing	5	6
Others	1	1
Total	**100**	**100**

Geographical split (%) – FY2002	Sales
North Asia	78
South Asia	22
Total	**100**

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Leong Wai Mun.

Cazenove Asia Limited, 5001 One Exchange Square, 8 Connaught Place, Hong Kong   Telephone +852 2526 4211   Facsimile +852 2868 1411
Cazenove Asia Limited is a member of the Stock Exchange of Hong Kong.

20 Moorgate, London EC2R 6DA   Telephone +44 (0)20 7588 2828   Facsimile +44 (0)20 7155 9000
Research e-mail: caznet@cazenove.com   Research web site: www.caznet.com
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