SINGAPORE

Autron Corp

Not Rated

Evolving into an Equipment Vendor

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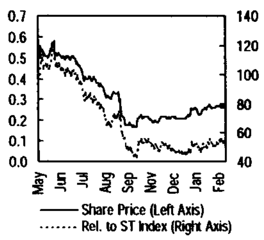
RIC:	AAT.SI
Price (1 Mar):	A$0.26
52-Wk Hi/Lo:	A$0.58/A$0.17
Market Cap. (Mils.):	A$134.89
Shares Outst. (Mils.):	518.8



Performance (%):

	3M	6M	12M
Absolute	26.2	-20.9	NA
Relative	9.5	-25.8	NA

Investment Thesis

- Over the past three years, Autron has benefited from being an industry consolidator in the fragmented capital equipment market in Asia. Its critical mass and China presence give it a competitive edge over smaller players in the region
- With a strong presence in China, management believes Autron is well positioned to benefit from the relocation of global production to low-cost China
- Formation of a JV with Assembleon could transform the company from a distributor/systems integrator to a virtual equipment vendor

Statistical Abstract

Year to 30 Jun	Net Profit (A$ Mils.)	FD EPS* (A$)	EPS Growth (%)	P/E (x)	DPS (A$)	Yield (%)
1998	-0.6	-0.001	-	NM	0.051	19.6
1999	4.2	0.010	NM	26.0	0.076	29.2
2000	5.3	0.012	20.0	21.7	0.015	5.8
2001	14.0	0.029	241.7	9.0	0.010	3.8

*Adjusted retrospectively for four-for-one share split in Aug 2000
Source: Company data.

Company background

Autron was listed on the ASX in 1998 and dual-listed on SGX in February 2001. It is a major distributor of capital equipment in Asia to the electronics manufacturing sector, providing SMT, PCB, plastics and back-end IC assembly equipment. Autron has about 50 principals, the largest being Speedline (~42% of FY00 purchases) and Assembleon.

Autron also provides systems integration and maintenance services. Distribution and services accounted for 90% and 10% of FY01 revenue, respectively. The company has a diverse customer base (about 500-plus), with multinationals accounting for about 35% of FY01 revenue. Autron estimates it commands over 30% market share in Asia Pacific ex-Japan, with a 35% share in the SMT equipment market.

Recent developments

Assembleon (previously Philips EMT) partnership

Autron announced on 5 February 2002 that it will take over Assembleon's sales and service operations in Asia. Under the terms of the JV, Autron and Assembleon will set up a joint R&D center to develop pick-and-place technology. As Assembleon's virtual manufacturing partner, Autron will be selling the JV's products under the Assembleon brand as well as existing Assembleon products.

Autron does not plan to invest in manufacturing capacity, preferring to outsource to contract manufacturers such as MMI Holdings. The deal could transform Autron from an equipment distributor into a fully integrated solutions provider.

The change in principal is expected to cause near-term disruption to existing agency sales for Siemens SMT machines. But longer term, management expects the strategic partnership with Philips to enable Autron to expand its role and value-added services in the capital equipment supply chain.

Growth drivers

Industry consolidator

Over the past three years, Autron has played the role of an industry consolidator, acquiring profitable niche companies. This helped increase annual turnover from A$16.8m in 1998 to A$185.7m in 2001. The M&A strategy enabled Autron to gain critical mass and expand into growth markets such as China.

Acquisitions also helped Autron to weather the steep downturn in the electronics industry in 2001. 2001 revenue and EPS surged 263% and 241%, respectively. Newly acquired AmTec, a major distributor of factory consumables in China, contributed about 60% of FY01 revenue and 74% of net profit.

Autron continues to be on the lookout for attractive alliances but could face funding constraints due to its relatively small size. Successive integration of the acquisitions is also key to reaping greater economies of scale.

Benefits from global production relocation to China

Foreign direct investment in China rose by about 15% to US$46.8bn in 2001, underpinned by:

- Increased relocation of production bases for cost reasons
- Proximity to booming domestic consumer demand in the world's most populous market

With a strong presence in China, management believes that Autron is well positioned to benefit from increased capital spending as more factories are being set up in China. In addition to MNCs, management expects growing demand from Taiwanese and domestic PRC companies to contribute about 50% of FY02 revenue (TCL likely to be its largest customer in FY02).

Riding up the value chain

A successful execution of the Assembleon partnership could transform Autron from a distributor/systems integrator to a virtual equipment vendor, with co-ownership of intellectual property in capital equipment designs.

Salient concerns

Downside risks near term

The electronics industry still faces excess capacity due to the steep downturn in 2001. It could take another 9-12 months for capital investment to rise again. Autron expects to take a restructuring charge from recent downsizing of its SE Asia operations. In addition, the change in the key principal, from Siemens to Assembleon, could temporarily disrupt sales.

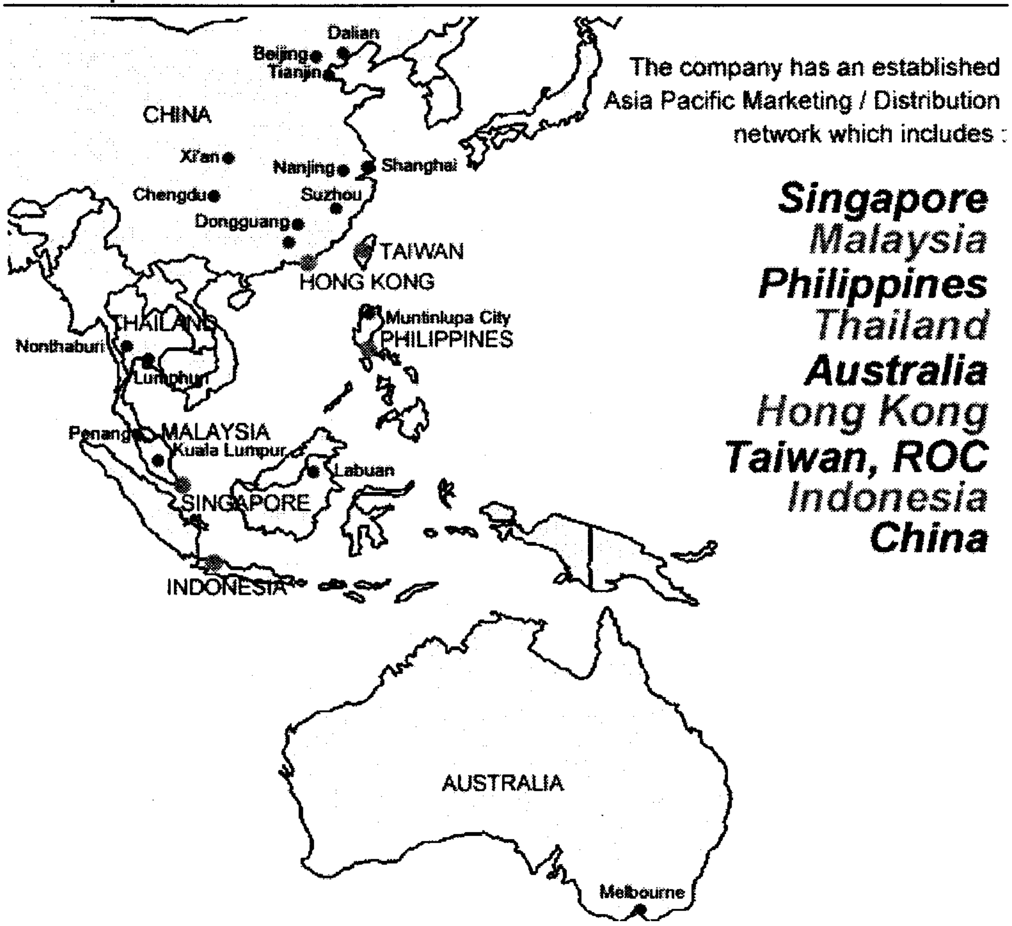
Risks to distributorship

The risks of agency changes and the direct entry by the principals exist. The risks for Autron are mitigated by its:

- Extensive network in Asia, especially China, which would not be easy for principals to emulate from scratch
- Ability to offer best-of-breed integrated solutions with a comprehensive range of capital equipment

Its JV with Assembleon has been undertaken to enhance its market positioning in the supply chain, strengthen the partnership and effectively raise the exit barriers for Assembleon. However, execution risks remain high, especially in the coming months.

Autron Corp — Asia Pacific Distribution Network



Source: Company reports.

Income Statement, 1998-01 (Australian Dollars in Millions)

Year to 30 Jun	1998	1999	2000	2001
Machines/ Consumables	–	31.1	37.0	168.1
Trading	–	–	2.7	10.8
Computer & Peripherals	–	3.9	10.1	4.4
Others	16.8	0.1	1.3	2.4
Total Revenue	**16.8**	**35.2**	**51.2**	**185.7**
Machines/ Consumables	–	5.9	8.3	13.1
Trading	–	–	0.1	7.4
Computer & Peripherals	–	–0.3	–0.8	–1.1
Others	–0.9	0.3	0.1	–2.1
Pre–tax Profit	**–0.9**	**5.9**	**7.7**	**17.3**
Taxation	0.0	–1.7	–1.9	–3.3
Extraordinary Items	0.0	0.0	–0.5	0.0
Minorities	0.3	0.0	0.0	0.0
Net Profit	**–0.6**	**4.2**	**5.3**	**14.0**
EPS	–0.001	0.010	0.012	0.029

Key Ratios, 1998-01 (Percent, Times)

Year to 30 Jun	1998	1999	2000	2001
Liquidity				
Total Debt	0.1	1.2	9.1	4.2
Net Cash/(Debt)	5.1	1.4	12.9	13.0
Current Ratio	2.5	1.6	2.4	1.8
Profitability (%)				
Pre–tax Margin	–5.6	16.9	15.0	9.3
Net Profit Margin	–3.7	12.0	10.3	7.5
ROE (%)	–	46.6	22.0	27.3
ROA (%)	–	23.8	11.4	15.1

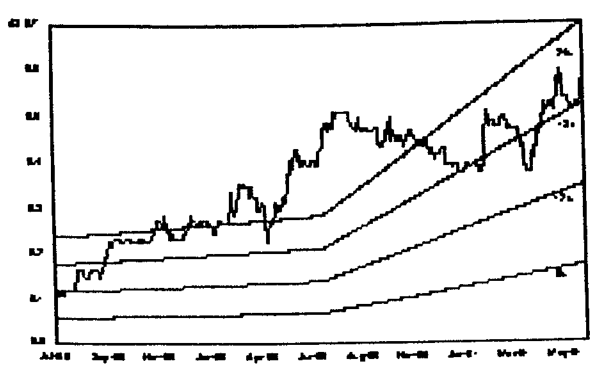
Balance Sheet, 1998-01 (Australian Dollars in Millions)

As at 30 Jun	1998	1999	2000	2001
Stocks	0.1	3.4	6.8	20.6
Trade Debtors	3.3	14.7	28.2	50.9
Cash & Deposits	5.2	2.6	22.0	17.2
Other Current Assets	0.1	0.0	0.0	2.2
Current Assets	**8.7**	**20.7**	**57.1**	**91.0**
Fixed Assets	0.0	1.8	2.8	4.2
Long Term receivables	0.0	1.4	1.9	1.4
Intangible assets/ Others	0.0	2.8	4.3	23.3
Total Assets	**8.7**	**26.7**	**66.0**	**119.9**
Interest bearing Liabilities	0.0	1.3	0.9	0.8
Payables	3.4	9.2	20.7	47.2
Others	0.2	2.2	2.1	3.4
Current Liabilities	**3.5**	**12.7**	**23.8**	**51.4**
Minority Interests	0.3	0.0	0.5	0.5
Long Term Loans	0.0	1.0	7.0	0.8
Deferred Tax Liabilities/ Others	0.0	0.1	0.1	0.2
Shareholders' Equity	**5.2**	**12.9**	**35.1**	**67.5**

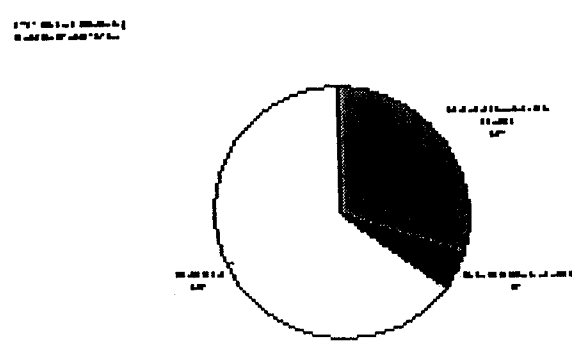
Cash Flow Forecast, 1998-01 (Australian Dollars in Millions)

Year to 30 Jun	1998	1999	2000	2001
Customer Receipts	18.8	25.9	33.4	165.0
Payments	–19.0	–26.3	–30.0	–152.6
Interest Received	0.0	0.1	0.1	0.6
Interest Paid	0.0	–0.2	–0.5	–1.6
Taxes Paid	–0.2	–0.2	–1.4	–3.6
Others	0.0	0.0	0.0	0.0
Cash Flow from Operations	**–0.4**	**–0.7**	**1.7**	**7.8**
Capital Expenditure	–0.2	–1.9	–1.8	–11.6
Proceeds from Asset Sales	4.8	0.1	0.1	0.2
Loans/ Others	0.0	0.0	–0.7	–0.9
Cash Flow from Investment	**4.5**	**–1.8**	**–2.3**	**–12.3**
Dividend Paid	–0.4	0.0	–0.9	–1.9
Increase/ (Repayment) of Loans	–0.3	–1.6	5.1	–1.5
Issue of shares/ Others	0.0	–0.1	16.3	2.6
Cash Flow from Financing	**–0.7**	**–1.6**	**20.6**	**–0.8**
Change in Net Cash/(Debt)	3.4	–4.1	19.9	–5.4
Beg Cash	1.9	5.2	1.3	21.4
End Cash	5.2	1.3	21.4	16.8

P/E Bands, Jul 99-Jun 01 (Times)



2001 Revenue Mix (Australian Dollars in Millions)



Source: Company data.