

Hi-P International Ltd

Update on profit guidance

SINGAPORE | INDUSTRIAL | UPDATE

Highlights

- Lower revenue yoy in 4Q14 guided in latest issued profit guidance, in contrast to earlier guidance. Profitable 4Q14 guidance maintained.
- Continue to hold positive view of stronger performance in FY15F.
- **Maintain Buy with target price of S\$0.88.**

What is the news?

Hi-P International guided for lower revenue in 4Q14 as compared to 4Q13, citing lower demand from certain customers and lower than expected yields on some new products during its production ramp-up. The company continues to guide for profitable 4Q14.

How do we view this?

We adjust our estimates in line with the latest profit guidance. We continue our view of stronger performance in FY15F onwards on positive smartphone outlook and better production yields.

Investment Actions

We maintain a BUY rating on stronger performance in FY15F ahead with a target price at S\$0.88.

30 January 2015

BUY (MAINTAIN)

LAST DONE PRICE	SGD 0.700
FORECAST DIV	SGD 0.006
TARGET PRICE	SGD 0.880
TOTAL RETURN	26.6%

COMPANY DATA

O/S SHARES (MN) :	817
MARKET CAP (USD mn / SGD mn) :	423 / 572
52 - WK HI/LO (SGD) :	0.79 / 0.52
3M Average Daily T/O (mn) :	0.84

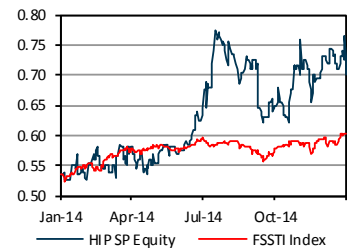
MAJOR SHAREHOLDERS (%)

HSIAO TUNG YAO	60.3%
MOLEX INCORPORATE	21.8%
FIDELITY MANAGEMENT	2.5%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1YR
COMPANY	3.5	14.1	36.6
STIRETURN	1.6	6.4	15.7

PRICE VS. STI



Source: Bloomberg, P-SR

KEY FINANCIALS

SGD M N	FY 12	FY 13	FY 14 e	FY 15e
Revenue	1,167	1,262	959	1,199
EBITDA	82	95	81	108
NPAT (adj.)	18	6	8	25
EPS (adj.)	2.12	0.78	0.92	3.02
PER, x (adj.)	32.74	68.66	75.94	23.19
P/BV, x	0.99	0.73	0.96	0.93
DPS (SGD)	120	0.60	0.60	2.00
Div Yield, %	1.7%	1.1%	0.9%	2.9%
ROE, %	3.1%	1.1%	1.3%	4.1%

Source: Company Data, P-SR est.

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Financials

Income Statement

Y/E Dec SGD mn	FY11	FY12	FY13	FY14e	FY15e
Revenue	1,204	1,167	1,262	959	1,199
Cost of sales	(1,073)	(1,069)	(1,165)	(883)	(1,090)
Gross profit	131	98	98	77	109
EBITDA	111	82	95	81	108
Depreciation & Amortisation	(59)	(70)	(88)	(79)	(84)
EBIT	52	12	7	2	24
Net Finance (Expense)/Inc	3	3	1	1	2
Share of assoc's, JVs profit	0	0	(0)	0	0
Others	4	7	3	7	6
PBT	59	23	11	10	31
Tax	(14)	(5)	(5)	(2)	(7)
PAT	45	18	6	8	25
Minority interest	0	(0)	(0)	0	(0)
Net Income, reported	45	18	6	8	25
Net Income, adj.	45	18	6	8	25

Per share data (SG cents)

Y/E Dec (SG cents)	FY11	FY12	FY13	FY14e	FY15e
EPS, reported	5.28	2.12	0.78	0.92	3.02
EPS, adj.	5.28	2.12	0.78	0.92	3.02
DPS	2.40	1.20	0.60	0.60	2.00
BVPS	72.21	70.10	73.09	73.01	75.43

Cash Flows

Y/E Dec SGD mn	FY11	FY12	FY13	FY14e	FY15e
CFO					
PBT	59	23	11	10	31
Adjustments	66	80	116	82	82
WC changes	(1)	(113)	(38)	93	(41)
Cash generated from ops	124	(11)	90	185	72
Taxes paid, others	(23)	(2)	(8)	(12)	(7)
Cashflow from ops	102	(13)	82	173	66
CFI					
CAPEX, net	(66)	(151)	(66)	(115)	(95)
Others	9	8	(2)	(1)	3
Cashflow from investing	(56)	(143)	(68)	(116)	(92)
CFF					
Share issuance	0	0	0	0	0
Loans, net of repayments	116	31	(44)	5	0
Dividends	(30)	(20)	(10)	(5)	(5)
Others	(12)	60	(4)	3	(1)
Cashflow from financing	74	71	(58)	3	(6)
Net change in cash	119	(85)	(44)	60	(32)
Effects of exchange rates	5	(12)	9	0	0
CCE, end	264	167	132	192	160

Source: Company, Phillip Securities Research (Singapore) Estimates

*Forward multiples and yields are based on current market price; historical multiples and yields are based on historical market price.

Balance Sheet

Y/E Dec SGD mn	FY11	FY12	FY13	FY14e	FY15e
ASSETS					
PPE	284	364	346	385	398
Intangibles	0	0	6	4	1
Associates & JVs	2	2	2	2	2
Others	14	14	34	38	38
Total non-current assets	301	380	388	428	439
Inventories	125	146	163	145	158
Accounts Receivables	293	328	323	250	312
Cash & equivalents	264	166	132	192	159
Others	93	31	21	15	14
Total current assets	775	671	639	601	644
Total Assets	1,076	1,051	1,026	1,030	1,083
LIABILITIES					
Short term loans	117	142	102	107	107
Accounts Payables	311	278	239	245	279
Others	47	48	83	77	77
Total current liabilities	475	468	424	429	463
Long term loans	3	2	2	1	1
Others	477	469	426	431	465
Total non-current liabilities	479	471	427	432	466
EQUITY					
Non-controlling interest	1	1	1	1	1
Common Equity	596	579	598	597	616

Valuation Ratios

Y/E Dec	FY11	FY12	FY13	FY14e	FY15e
P/E (X), adj.	17.3	32.7	68.7	75.9	23.2
P/B (X)	1.3	1.0	0.7	1.0	0.9
EV/EBITDA (X)	5.9	6.8	4.3	6.0	4.8
Dividend Yield (%)	2.6%	1.7%	1.1%	0.9%	2.9%

Growth & Margins (%)

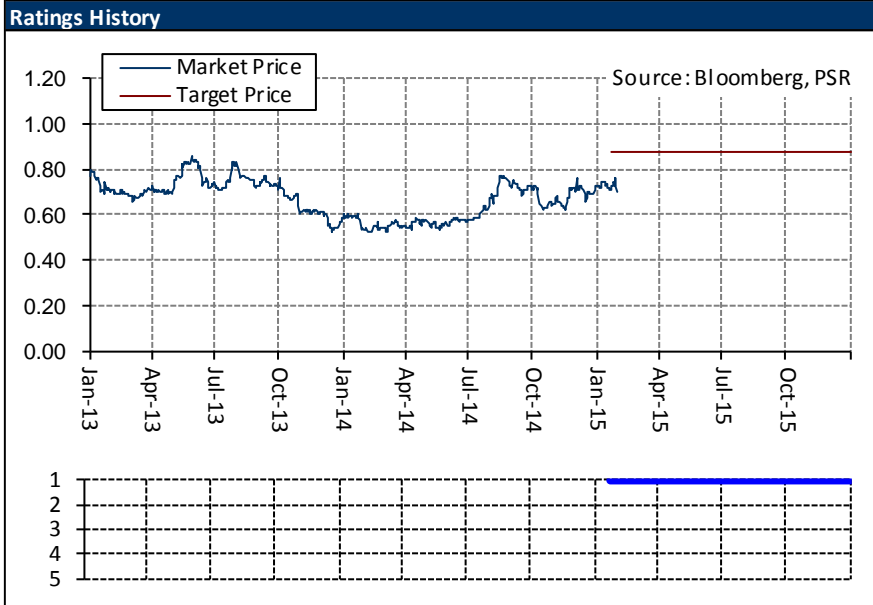
Growth					
Revenue	25.7%	-3.1%	8.2%	-24.0%	25.0%
EBITDA	-26.6%	-26.4%	16.0%	-14.7%	33.5%
EBIT	-51.1%	-76.7%	-40.7%	-73.1%	1150%
Net Income, adj.	-33.1%	-60.1%	-64.4%	17.8%	227.3%

Margins

EBITDA margin	9.2%	7.0%	7.5%	8.4%	9.0%
EBIT margin	4.3%	1.0%	0.6%	0.2%	2.0%
Net Profit Margin	3.7%	1.5%	0.5%	0.8%	2.1%

Key Ratios

ROE (%)	7.7%	3.1%	1.1%	1.3%	4.1%
ROA (%)	4.7%	1.7%	0.6%	0.7%	2.3%
Interest Coverage (X)	n.m.	n.m.	n.m.	n.m.	n.m.
Net Gearing (X)	Net cash	Net cash	Net cash	Net cash	Net cash



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
<-20%	Sell	5

Remarks
 We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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