

Aapico Hitech - AH

3QCY12 outlook still bright

Bloomberg | Reuters
AH TB | AH.BK



Phillip Securities Research
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Company Overview

AH is engaged in designing, manufacturing and installation of car assembly jigs, stamping dies, and OEM auto parts.

- AH reported a jump in 2QCY12 net profit of 456% y-y and 194% q-q to Bt279.88mn.
- For 3QCY12, we expect growth momentum remains strong as AH got a new production line, including rising auto output in the country.
- We recommend an 'ACCUMULATE' rating on AH shares with a target price of Bt20.40/share.

What is the news?

A remarkable growth in 2QCY12 earnings was mainly contributed to new production lines for Suzuki-New Swift and Ford-Ford Focus, and a significant increase in the auto output of 63% y-y and 12% q-q to 0.56mn units. Quarterly sales increased as much as 51% y-y and 31% q-q to Bt3,935.15mn. Net profit grew at faster pace by 456% y-y and 194% q-q to Bt279.88mn, thanks to rising amount of workload, a resumption of full capacity production of its plant at Hi-Tech Industrial Estate (hit by severe flood late last year) and flood-claimed insurance of Bt90mn. Excluding the extra item, operating profit rose 277% y-y and 192% q-q to Bt189.88mn. According to management's guidelines, AH is expecting new project from Honda-BRIO sedan that management affirms there is remaining capacity to accommodate a 15-20% increased workload. AH has a plan to implement new machineries and build up new plant to increase its production capacity in 2013.

How do we view this?

We foresee AH's 3QCY12 operating performance continues to benefit from the country's upbeat auto production as the Federation of Thai Industries is forecast 3QCY12 auto output to grow sequentially by 27% y-y and 8% q-q to 0.6mn units. AH's auto parts sales generated the highest proportion of more than 70% of total sales as the company produce parts for several carmakers, such as AAT (Ford & Mazda), Nissan, Toyota, Isuzu, and Honda. Adding to positive outlook is the fact that Honda has resumed its normal production capacity which is likely to help support its overseas business of vehicle dealership in Malaysia.

Investment Actions?

Earnings continued to grow impressively, while there is also an upside to our CY12 forecast on the expected remaining insurance claim. AH's management expected to receive total flood-claimed insurance of Bt700mn (based on its coverage of Bt2,000mn). Out of which Bt320mn was already booked—Bt200mn in 4QCY11, Bt30mn in 1QCY12 and Bt90mn in 2QCY12. For these reasons, we recommend an 'ACCUMULATE' rating on AH shares with a target price of Bt20.40/share, based on P/E of 9x.

Valuation Method

P/E'12 (9x)

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