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18-12-2007: SJ Securities overweights VisDynamics on new plant in the pipeline

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SJ Securities has initiated coverage on VisDynamics Holdings Bhd (VHB), with an overweight rating at 35 sen and target price of 41 sen, pegging on a forward PER of 14 times based on the company's position as a unique automated test equipment (ATE) manufacturer.

The research house said its products were among the fastest and most flexible in the world, while the company had a diversified customer base. A new plant in the pipeline and the favourable outlook on the semiconductor sector also boost VisDynamics' prospects.

VisDynamics is mainly engaged in the research and development, design, assembly and final set-up/tuning of test-back-end equipment in the ATE industry for semiconductors using its own proprietary technologies.

"As back-end manufacturing technologies are witnessing an upswing with rising revenue and market share potential, the group is expected to gain from the upward trend and booming semiconductor industry. Furthermore, back-end process innovations will continue to drive the group's competitive edge in this industry," SJ Securities said in a note yesterday.

It said the company's strong management team also contributed to its competitive edge, with all nine founding members of the group continuing to manage the business.

"Going forward, management views merger and acquisition opportunities as a strategy to strengthen their presence and secure greater market share in the ATE industry globally. The group may acquire smaller size competitors with other core competencies," it said.

It added VisDynamics' major products were the gravity-based system, tray-based system and vision inspection system, of which the gravity-based system had been its major income boost, contributing 83% to total sales for FY06.

The company was also expected to launch more effective products such as transfer equipment in chip scale package/wafer level packaging in the medium to long term, it said.

SJ Securities added that VisDynamics had established sales and service agency offices in North America and Southeast Asia, with customers comprising multinational companies and an intention to diversify its customer base to include integrated device manufacturers and semiconductor contract manufacturers.

In addition, VisDynamics was currently expanding its capacity, having already acquired a 0.6ha land near the Malacca International Trade Centre for RM1 million, to build a state-of-the-art facility by next year, it said.

"Based so far on cumulative results for three quarters running for FY07 (reported net loss of RM200,000),

VisDynamics Holdings			
	2006	2007E	2008F
Book value (RM)	0.3	0.3	0.3
NTA (RM)	0.3	0.2	0.2
Cash flow (sen)	(1.1)	1.1	3.4
Basic EPS (sen)	0.6	0.1	2.9
Gross DPS (sen)	-	-	-
PER (x)	101.7	369.3	12.2

Source: SJ Securities

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we expect full-year earnings to decline further due to this year's slowdown in the semiconductor industry," it said.

Its share price closed at 38 sen yesterday, up three sen, with 2,000 shares done.

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