



APEX SECURITIES BERHAD (47680-X)

BUY

Maintained

Kronologi Asia Berhad

Current Price RM 0.415

Target Price RM 0.530

Company Description

Kronologi Asia Berhad provides enterprise data management (EDM) solutions. The Company's services comprise of backup, storage, recovery and restoration of enterprise data as well as periodic health checks, capacity planning, remote monitoring and disaster recovery service.

Stock Data

Bursa / Bloomberg code	0176 / KAB MK
Board / Sector	Digital Services / Ace
Syariah Compliant status	Yes
FTSE4Good Index	No
FTSE ESG Rating	N/A
MSCI ESG Rating	N.S.
S&P Global ESG Rank	N/A
Sustainalytics Risk Score	N/A
Issued shares (m)	888.41
Market cap. (RM'm)	368.69
52-week price Range	RM 0.30 - RM 0.53
Beta (against KLCI)	0.78
3-m Average Daily Volume	1.78m
3-m Average Daily Value	RM0.82m

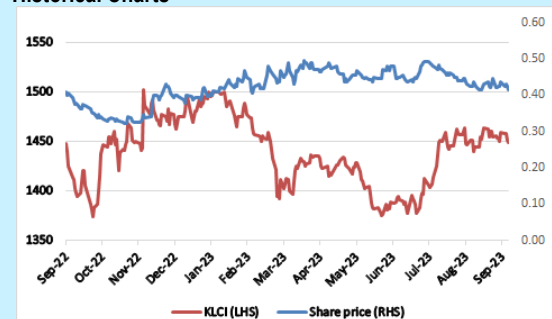
Share Performance

	1m	3m	12m
Absolute (%)	-2.4	-5.1	1.6
Relative (%-pts)	-2.2	-10.4	1.6

Major Shareholders

	%
Oversea-Chinese Banking Corp Ltd	40.19
Tan Jeck Min	13.46
Desert Streams Inv Ltd	11.56

Historical Charts



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“2QFY24 results within expectation”

Results

- Kronologi Asia Berhad posted a RM79.6m revenue in its 2QFY24 results which grew 26.1% yoy and 26.3% qoq. The better yoy revenue performance was mainly boosted by strong growth in the EDM Infrastructure Technology segment, particularly from its China operation.**
- Net Profit.** In 2QFY24, Kronologi reported a net profit of RM 3.0 million, reflecting a slight decline of 1.9% YoY, but a growth of 19.3% QoQ. The QoQ decrease in profit can primarily be attributed to higher effective tax rate in the quarter. However, the QoQ growth in profit is primarily attributed to the seasonality low base in Q1.
- Higher selling and distribution cost.** Krono has continued to post higher selling and distribution expenses in the quarter which increased +13.7% qoq and +132% yoy. We believe it is the result of the management's focus on capturing market share.
- 2QFY24 profit within expectation.** Krono's 2QFY24 results are in line with our expectations, although net earnings of RM 5.6 million accounted for only 24% of our full-year FY24 earnings forecast. This is consistent with the seasonally slow performance during the first half of the year. However, we anticipate that earnings will pick up in the remaining quarters, particularly in the second half of FY24.
- EDM Infrastructure Technology (IT) segment.** EDM IT segment has posted RM 61.4m of revenue (+37% qoq/+29% yoy) and RM 2.8m of PAT (+40% qoq/ +46% yoy) in 2QFY24. The segment still continued to dominate the Group's total revenue contribution, which amount to 77% of total revenue in the quarter with the remainder made up by the EDM AAS segment.
- EDM As-A-Service (AAS) segment.** The segment registered RM18.2m of revenue (0% qoq and +18% yoy) and RM 1.1m of PAT (-28% qoq and -15% yoy) in the quarter. During the quarter, the EDM AAS segment margin was lower qoq and yoy mainly due to higher tax in the segment.

Please read carefully the important disclosures at end of this publication

- **Geographical segment.** The majority of the Group's revenue was derived from Singapore and China during the quarter (accounting for 24% and 34% respectively of total revenue), -14% qoq, -20% yoy and +22% qoq, +57% yoy respectively), followed by the Philippines (23% of total revenue, +40% qoq and +26% yoy).

Comments/Outlook

- **Optimistic on China's operation in near term...** China's industrial output and retail sales grew at a faster-than-expected pace recently and boosted the recovery prospects in China while benefitting Krono's China operations (Quantum China). We are optimistic on the long-term growth prospects of Krono especially on its China operation supported by growth in EDM AAS business and on-going supply chain relocation where Chinese companies tend to prefer building their own data storage systems.
- **Focus in serving Asian markets to mitigate risk amid global economic headwinds.** IMF forecasted Asia's economy to grow average of 4.6% in 2023 thanks to an accelerating pace of growth, which will be a "bright spot" in an otherwise bleak global economic landscape. As Krono focuses in serving the Asian market, it is anticipated that the Group will capitalize on the region's economic growth to well-positioned during the global economic downturn.

Earnings Outlook

- We keeping our FY24F net earnings forecast on RM 23m and FY25F net earnings forecast at RM 27.8m.

Valuation / Recommendation

- **We maintained BUY call with unchanged target price on RM 0.53.** Our target price is pegged at 17x PER (which is -0.5 stdv based on its 3-year mean of PER) on the EPS 3.1 sen of FY25F. Our target price has adjusted (previously RM 0.64) to account for the change of shares base after new issuance of shares (bonus issue).
- Our target price is rendering a 28% upside from current share price of RM 0.415.
- **We favour the stock for its:** Gaining traction in sustainable income; Promising industry outlook driven by digitalized data era from increasing adoption of AI; Robust balance sheet minimize risk amidst downturn economic.

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Quarterly Results

FYE JAN	2QFY24 RMm	1QFY24 RMm	QoQ %	1Q23 RMm	YoY %	1H24 RMm	1H23 RMm	YoY %
Revenue	79.6	63.0	26.3%	63.1	26.1%	142.6	120.5	18.4%
Cost of goods sold	-58.6	-47.7	22.8%	-50.8	15.4%	-106.4	-98.1	8.4%
Gross Profit	21.0	15.3	37.1%	12.3	70.4%	36.3	22.3	62.4%
Other Operating income	0.7	2.0	-66.5%	0.4	50.2%	2.6	2.0	29.8%
Selling and distribution expenses	-8.9	-7.9	13.7%	-3.9	132.0%	-16.8	-7.9	111.5%
Administrative expenses	-4.6	-3.7	23.1%	-3.8	19.4%	-8.2	-7.5	9.9%
Other expenses	-1.5	-1.4	N/A	0.0	N/A	-2.85	0	N/A
Share of results of associates	0.0	0.0	N/A	0.0	0.0%	0.0	0.0	N/A
Profit from Operations	6.7	4.3	53.9%	5.1	31.2%	11.0	8.9	23.4%
Interest expenses	-1.2	-0.9	24.4%	-0.6	94.5%	-2.1	-1.1	90.5%
PBT	5.5	3.4	62.1%	4.5	22.7%	8.9	7.8	14.0%
Tax expenses	-2.5	-0.8	N/A	-1.4	78.4%	-3.3	-2.5	32.7%
PAT	3.0	2.6	19.3%	3.1	-1.9%	5.6	5.3	5.2%
Minority interest	0.0	0.0	N/A	0.0	N/A	0.0	0.0	N/A
PATAMI	3.0	2.6	19.3%	3.1	-1.9%	5.6	5.3	5.2%
Margin (%) / ppts								
Gross Profit	26%	24%	2.1	19%	6.8	25%	19%	6.9
EBIT	8%	7%	1.5	8%	0.3	10%	7%	2.3
PBT	7%	5%	1.5	7%	-0.2	6%	6%	-0.2
PAT	4%	4%	-0.2	5%	-1.1	4%	4%	-0.5

(Source: Company, Apex Securities)

Quarterly Results by operation segment

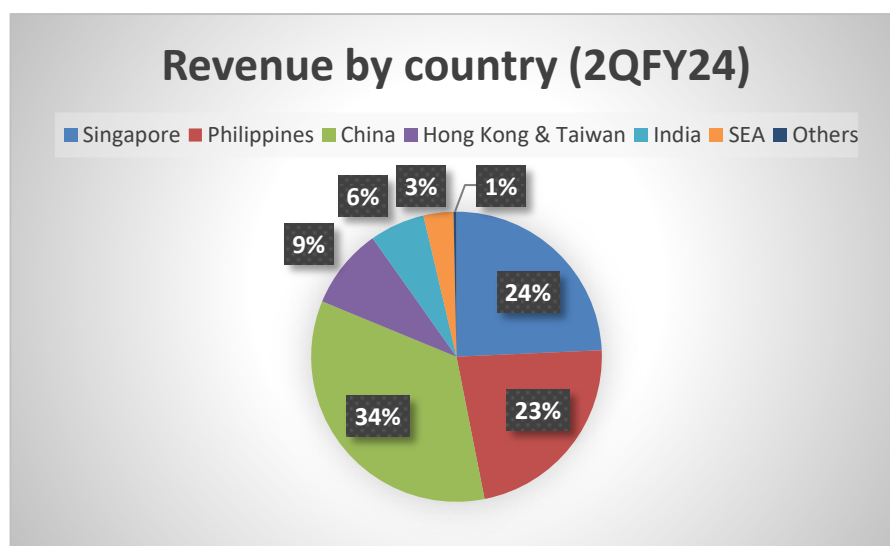
FYE JAN	2QFY24 RMm	1QFY24 RMm	QoQ %	2QFY23 RMm	YoY %	1H24 RMm	1H23 RMm	YoY %
Revenue								
EDM Infrastructure Technology	61.4	44.8	37%	47.7	29%	106.2	91.3	16%
EDM As-A-Service	18.2	18.2	0%	15.4	18%	36.5	29.1	25%
PAT								
EDM Infrastructure Technology	2.8	2.0	40%	1.9	46%	4.8	2.1	124%
EDM As-A-Service	1.1	1.5	-28%	1.3	-15%	2.6	2.1	25%
PAT Margin (%/ppts)								
EDM Infrastructure Technology	5%	4%	0.1	4%	0.6	5%	2%	2.2
EDM As-A-Service	6%	8%	-2.4	8%	-2.4	7%	7%	0.0
Segment operating profit								
EDM Infrastructure Technology	5.6	3.4	67%	3.3	67%	9.0	4.9	81%
EDM As-A-Service	1.9	2.0	-2%	1.9	4%	3.9	3.1	27%
Operating Profit Margin (%/ppts)								
EDM Infrastructure Technology	9%	7%	1.6	7%	2.1	8%	5%	3.0
EDM As-A-Service	11%	11%	-0.2	12%	-1.5	11%	10%	0.2
Profit before tax								
EDM Infrastructure Technology	5.3	2.0	164%	2.9	83%	7.3	4.0	81%
EDM As-A-Service	1.9	1.5	23%	1.7	13%	3.4	2.7	27%
PBT Margin (%/ppts)								
EDM Infrastructure Technology	9%	4%	4.2	6%	2.6	7%	4%	2.5
EDM As-A-Service	10%	8%	1.9	11%	-0.5	9%	9%	0.1

(Source: Company, Apex Securities)

Quarterly Results by geographical segment

Revenue	2QFY24 RMm	1QFY24 RMm	QoQ %	2Q23 RMm	YoY %	1H24 RMm	1H23 RMm	YoY %
Singapore	19.3	22.4	-14%	24.1	-20%	41.8	48.5	-14%
Philippines	18.0	12.9	40%	14.2	26%	30.9	27.7	12%
China	27.3	22.3	22%	17.4	57%	49.7	28.2	76%
Hong Kong & Taiwan	7.2	3.0	137%	2.3	206%	10.2	6.7	51%
India	4.9	1.6	210%	1.7	191%	6.5	4.9	31%
SEA	2.6	0.7	283%	3.1	-16%	3.3	4.1	-20%
Others	0.3	0.1	165%	0.2	52%	0.4	0.3	37%

(Source: Company, Apex Securities)



(Source: Company, Apex Securities)

Financial Summary

FYE 31 JAN (RM'm)	FY2019	FY2021	FY2022	FY2023	FY2024F	FY2025F
Revenue	235.5	265.5	308.0	314.2	290.0	329.2
Gross profit	48.7	41.1	64.3	61.6	63.8	72.4
Profit from operations	25.9	17.4	30.0	32.1	31.4	37.6
Profit before tax	23.9	15.9	28.6	29.5	29.4	35.6
Profit after tax	18.6	1.4	23.8	25.0	23.0	27.8
PATAMI	18.6	1.4	23.8	25.0	23.0	27.8
Revenue Growth	44%	13%	16%	2%	6%	13%
Gross profit Growth	18%	-16%	56%	-4%	14%	13%
Profit from operations Growth	31%	-33%	72%	7%	18%	20%
Profit before tax Growth	28%	-33%	80%	3%	20%	21%
PATAMI Growth	14%	-92%	1574%	5%	23%	21%
Gross profit Margin	21%	15%	21%	20%	22%	22%
Profit from operations Margin	11%	7%	10%	10%	11%	11%
Profit before tax Margin	10%	6%	9%	9%	10%	11%
PATAMI Margin	8%	1%	8%	8%	8%	8%
Outstanding share (m)	489.3	523.4	663.4	705.4	888.4	888.4
EPS (sen)	3.8	0.3	3.6	3.5	2.6	3.1
PE ratio	11.1	154.8	11.7	11.8	16.2	13.4

(Source: Company, Apex Securities)

*FY20 only recorded 1 quarter as Krono had changed their financial year end (FYE). FY2021 consisted of 13 months period.

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RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY :The stock's total returns* are expected to exceed 10% within the next 12 months.
HOLD :The stock's total returns* are expected to be within +10% to – 10% within the next 12 months.
SELL :The stock's total returns* are expected to be below -10% within the next 12 months.
TRADING BUY :The stock's total returns* are expected to exceed 10% within the next 3 months.
TRADING SELL :The stock's total returns* are expected to be below -10% within the next 3 months.

*capital gain + dividend yield

SECTOR RECOMMENDATIONS

OVERWEIGHT :The industry as defined by the analyst is expected to exceed 10% within the next 12 months.
MARKETWEIGHT :The industry as defined by the analyst is expected to be within +10% to – 10% within the next 12 months.
UNDERWEIGHT :The industry as defined by the analyst, is expected to be below -10% within the next 12 months.

ESG RECOMMENDATIONS

☆☆☆☆ :Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
 ☆☆☆ :Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
 ☆☆☆ :Top 51-75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
 ☆ :Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

Source: Bursa Malaysia and FTSE Russell

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