



APEX SECURITIES BERHAD (47680-X)

BUY

Maintained

Aurelius Technologies Berhad

Current Price RM 2.65

Target Price RM 3.22

“Looking forward to a better 2HFY24”

Company Description

Aurelius Technologies Berhad operates as a holding company. The Company, through its subsidiaries, focuses on industrial electronic products such as manufacturing of semiconductor components. Aurelius Technologies serves customer in Malaysia.

Stock Data

Bursa / Bloomberg code	5302 / ATECH MK
Board / Sector	Main/ E&E
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)	394.00
Market cap. (RM'm)	1044.09
52-week price Range	RM 1.53 - RM 3.40
Beta (against KLCI)	0.54
3-m Average Daily Volume	0.77m
3-m Average Daily Value	RM1.93m

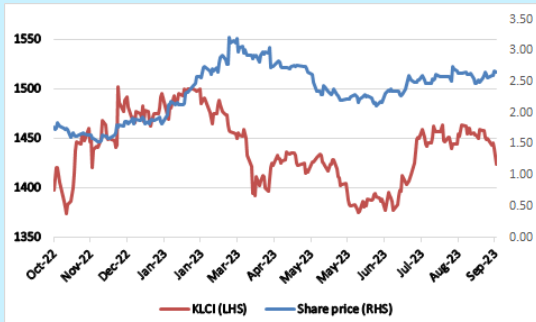
Share Performance

	1m	3m	12m
Absolute (%)	0.8	0.0	40.2
Relative (%-pts)	3.5	10.9	37.3

Major Shareholders

	%
Main Stream HOL Sdn Bhd	20.05
Main Stream Limited	19.36
Loh Hock Chiang	7.75

Historical Charts



Source: Bloomberg

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Results

- Aurelius Technologies Berhad (ATECH) posted RM109m of revenue in its 2QFY24 results which increased 15.2% qoq but declined 2.6% yoy. The better QoQ performance was due to seasonally weaker Q1, but the drop in YoY was attributed to the destocking activities of customers following the challenging economic outlook ahead.**
- 2Q profit within expectation.** The Group reported RM10.6m of net profit in 2QFY24 to lift 1H24 profit to RM18.6m, which achieved consensus and our in-house's full year forecasts by 40% and 39% respectively. The 1H24 profit was still within our expectations due to seasonally slower 1H and we expect the profit should reporting stronger in 2H24.
- Higher profit margins.** The Group's 2Q24 PAT margin stood at 9.7% which climbed +3.4ppts yoy and +1.2 ppts qoq mainly contributed by a composition of product mix with higher margin and higher forex gain.
- Product segments.** The Group's Communication and IoT segment remains as the largest revenue contributor after posting RM90.6m (+23% qoq but -3% yoy) to account for 83.1% of total revenue. This was followed by Electronic devices which posted RM12.6m of revenue (-6% qoq and -4% yoy) to account for 11.6% of total revenue and Semiconductor component with RM 5.9 m revenue (-22% qoq but +7% yoy) to account for 5.4% of total revenue.
- Geographical segment.** During the quarter, revenue from Malaysia stood at RM22.1m (+35% qoq but -36% yoy) to account for 20% of total revenue, Americas reported RM 61.2m of revenue (+21% qoq and +12% yoy) to make up 56% of total revenue, while Asia Pacific with RM 14.6m revenue (-5% qoq but +21% yoy) accounted for 13% of total revenue and Europe with RM 11.1m revenue (-8% qoq but +6% yoy) contributed 10% of total revenue.
- Dividend declared.** The board has declared an interim dividend of 2.3 sen/share. Our full year dividend forecast stands at 4 sen/share resulting in a yield of 1.5%.

Comments

- Expect better 2HFY24.** We opine that the destocking activities by customers are bottoming out based on our

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observation of industry trend and we expect the situation will gradually recover in 2HFY24. This can be seen from the Group's order book which increased to RM 322 mil as 13 Sep 2023 (compared to as 19 June 2023: RM288m). Coupled with the ramping up of production for Customer F, we should see a recovery in financial performance in 2HFY24.

- **Solar project to decrease electricity cost.** The Group has installed an energization of a 2.5783 MWp rooftop solar photovoltaic at its manufacturing plant in Kulim High-Tech Park on Sep CY23, the rooftop solar can produce 3,480.7 MWh of clean electricity each year and expected to save 30% of electricity cost per year.
- **New development.** The Group is entering the EV sector by manufacturing IoT modules, currently undergoing auditing by the customer. Customer's line 7 is exclusively dedicated to IoT modules for EV, with line 8 in preparation, set to start production from October CY23 onwards. Meanwhile, Atech is in the midst to securing a US based one stop IoT ODM expertise customer.
- **Strengthened USD benefitting the bottom-line.** As most of the revenue of the Group is derived from USD, hence, the group's profits in the coming periods are expected to continue to be boosted by the strengthening of USD.

Earnings Outlook/Revision

- We keeping our net earnings forecast for FY24F, on RM 48m and for FY25F, on RM 63.4m.

Valuation/Recommendation

- **We maintain our call at BUY with a higher target price of RM 3.22** (from RM 2.90 previously) after assigning a higher PER in view of our positive outlook on the prospects of the Group, primarily attributed to the new developments and margin expansion due to better products portfolio. The target price is now pegged on PE multiple of 20x (previously 18x) on FY25F EPS of 16.1 sen which in line with the Group's 2-year mean PER. Our target price is rendering a 21% potential upside from current share price.

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Figure 1: Quarterly Results

FYE JAN	2QFY24 RMm	1QFY24 RMm	QoQ %	1Q23 RMm	YoY %	1H24 RMm	1H23 RMm	YoY %
Revenue	109.0	94.6	15.2%	112.0	-2.6%	203.7	212.7	-4.2%
Cost of goods sold	-93.7	-87.1	7.7%	-99.7	6.0%	-180.8	-192.8	-6.2%
Gross Profit	15.3	7.6	102.4%	12.3	24.5%	22.9	19.8	15.3%
Other income	4.7	3.3	43.3%	0.3	1542.4%	8.0	0.3	2454.9%
Administrative and operating expenses	-7.2	-2.5	182.7%	-3.2	124.3%	-9.7	-5.9	65.1%
Selling and Distribution expense	-0.1	-0.1	N/A	-0.1	N/A	-0.2	-0.2	52.4%
Operating Profit	12.7	8.2	55.5%	9.3	36.8%	20.9	14.1	48.0%
Finance income	1.1	0.9	n.a	0.0	n.a	2.0	0.2	N/A
Finance costs	-0.4	-0.4	6.2%	-0.9	-58.2%	-0.7	-1.5	-52.4%
PBT	13.4	8.7	54.8%	8.4	60.1%	22.1	12.8	73.0%
Tax expenses	-2.9	-0.6	N/A	-1.3	N/A	-3.5	-0.7	417.2%
PATAMI/PAT	10.6	8.1	30.9%	7.1	49.2%	18.6	12.1	54.0%
Margin (%) / ppts								
Gross Profit	14%	8%	6.0	11%	3.1	11%	9%	1.9
EBIT	12%	9%	3.0	8%	3.4	10%	7%	3.6
PBT	12%	9%	3.1	7%	4.8	11%	6%	4.8
PAT	9.7%	8.5%	1.2	6%	3.4	9%	6%	3.5

(Source: Company, Apex Securities)

Figure 2: Product segmental revenue breakdown

Product Segment					Growth		Growth	
	2Q24		1Q24		QoQ	2Q23		YoY
Revenue	RM'm	%	RM'm	%	%	RM'm	%	%
Communication and IoT products	90.6	83.1%	73.6	77.8%	23%	93.3	83.4%	-3%
Electronics devices	12.6	11.6%	13.4	14.2%	-6%	13.1	11.7%	-4%
Semiconductor Components	5.9	5.4%	7.6	8.0%	-22%	5.5	4.9%	7%

(Source: Company, Apex Securities)

Figure 3: Geographical segmental revenue breakdown

Geographical segment	2Q24	%	1Q24	%	QoQ	2Q23	%	YoY
Malaysia	22.1	20%	16.4	17%	35%	34.9	31%	-36%
Americans	61.2	56%	50.7	54%	21%	54.5	49%	12%
Asia Pacific (excluding Malaysia)	14.6	13%	15.4	16%	-5%	12.1	11%	21%
Europe	11.1	10%	12.1	13%	-8%	10.4	9%	6%
	109.0	100%	94.6	100%		112.0	100%	

(Source: Company, Apex Securities)

Figure 4: Financial Summary

RM'm (FY Ending January)	FY20	FY21	FY22	FY23	FY24F	FY25F
Revenue	389.3	362.2	367.4	482.4	528.9	701.3
Gross Profit	46.2	30.1	40.7	60.2	83.3	105.2
Operating Profit	36.4	22.0	29.8	44.2	67.4	86.3
Profit Before Tax	32.4	17.8	25.9	40.3	62.4	81.3
Net Profit	23.6	16.7	22.0	37.2	48.0	63.4
PE(x)	20.6	29.2	22.1	20.9	17.8	13.5
EPS (sen)	6.6	4.7	6.2	10.4	12.2	16.1
<u>Growth(%)</u>						
Revenue	8.7%	-7.0%	1.4%	12.0%	15.0%	15.0%
Gross Profit	7.9%	-34.8%	35.1%	60.4%	27.7%	26.3%
Operating Profit	8.0%	-39.6%	35.5%	80.0%	25.6%	28.0%
Profit Before Tax	4.5%	-45.1%	45.5%	91.6%	25.7%	30.3%
Net Profit	-1.3%	-29.2%	31.9%	75.8%	24.1%	32.0%
<u>Margin(%)</u>						
Gross Profit	11.9%	8.3%	11.1%	13.5%	15.7%	15.0%
Operating Profit	9.4%	6.1%	8.1%	11.1%	12.7%	12.3%
Profit Before Tax	8.3%	4.9%	7.1%	10.3%	11.8%	11.6%
Net Profit	6.1%	4.6%	6.0%	8.0%	9.1%	9.0%

(Source: Company, Apex Securities)

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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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Published & Printed By:

Apex Securities Berhad(47680-X)

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