

Jayden Tan

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Company	Price (RM)	Rating	Fair Value (RM)	Dividend Yield (%)	Potential Upside / Downside (%)
UMEDIC	0.76	NR	0.98	0.0%	28.9%
TTVISION	0.84	NR	N/A	0.0%	N/A
GTRONIC	1.53	NR	1.35	3.9%	-7.8%

Journey To the Silicon Valley of the East

Summary

- **Trip to Penang.** We recently took a trip to Penang Malaysia and came away feeling fruitful throughout the journey. We undertook site visits of 3 companies and were briefed on the current operations, future plans of Umedic Group Berhad (UMC), TT Vision Holdings Berhad (TTVHB) and Globetronics Technology Berhad (GTRONIC).
- **Umedic Group Berhad (NR; TP: RM0.98) will be focusing on their expansion plans.** We are optimistic over their capacity and products expansions which will be the key earnings growth driver, moving forward.
- **TT Vision Holdings Berhad (NR; TP: N/A) are diversifying towards various industries.** Orders at TTVHB remained firm from solar and automotive sectors. Although orders for optoelectronics and integrated circuit machines are demonstrating improvement, capex of major customers remains uncertain due to industry ambiguity. Nevertheless, TTVHB remains active in diversifying revenue stream across various industries.
- **Globetronics Technology Berhad (NR; TP: RM1.35) is struggling with lower-than-expected volume loading from customers.** The group continues to battle with challenges from lower business volume and higher costs. We gather that timeline for recovery remains uncertain while contributions from new customers and products have yet to deliver significant improvements.

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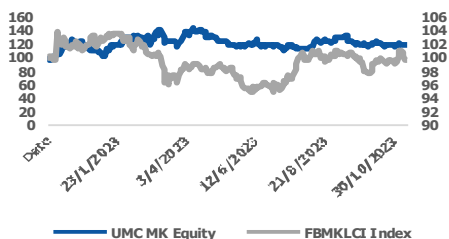
Recommendation:	NR
Current Price:	RM 0.76
Previous Target Price:	N/A
Target Price:	N/A

Stock information

Board	ACE
Sector	HEALTH CARE
Bursa / Bloomberg Code	0256 / UMC MK
Syariah Compliant	Yes
FTSE4Good Index	NO
FTSE ESG Rating	N/A
Bloomberg ESG Rating	N/A
Shares issued (m)	373.9
Market Cap (RM' m)	284.2
52-Week Price Range (RM)	0.595-0.9
Beta (x)	N/A
Free float (%)	25.5
3M Average Volume (m)	1.2
3M Average Value (RM' m)	1.0

Top 3 Shareholders	(%)
UMEDIC CAPITAL SDN	51.4
Ng Chai Eng	5.5
Lim Taw Seong	5.3

Share Price Performance



	1M	3M	12M
Absolute (%)	0.0	-3.2	21.6
Relative (%)	-1.5	-3.6	20.2

Umedic Group Berhad

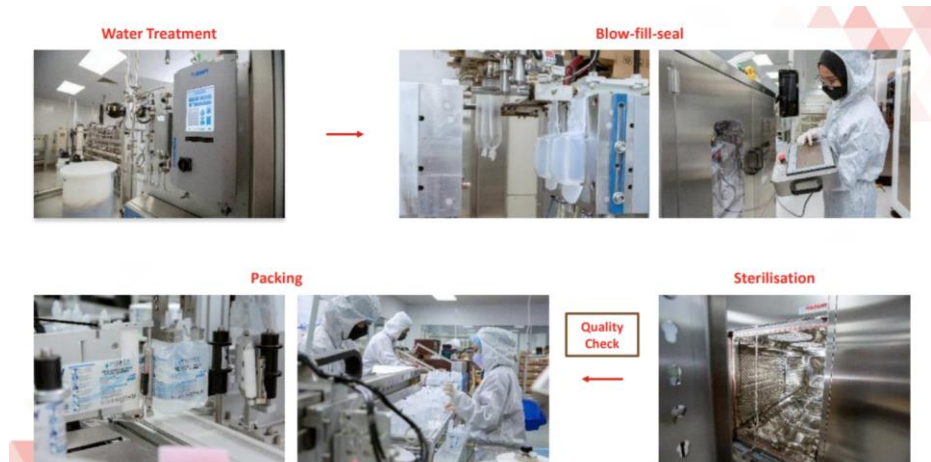
Capacity expansions on track

Summary

- Business Overview.** Umedic Group Berhad (UMC) operations are situated in Batu Kawan, Penang, specialises in manufacturing and distribution of healthcare consumables products and equipment. The group predominantly serves healthcare entities, including public and private hospitals, with approximately 80.0% of total revenue generated from customers within Malaysia. Meanwhile, Europe stands as the largest export market for UMC.
- Current facility.** We toured UMC's Batu Kawan, Penang plant, featuring a 20.3k sqft storage area and an 8.3k sqft manufacturing space equipped with a cleanroom facility. The manufacturing space is dedicated primarily for production of Prefilled Humidifier, HydroX. Current capacity allows for the production of 300k bottles/month, with utilisation running at approximately 90%.
- Manufacturing capacity expansion.** UMC has successfully completed the construction of their plant expansion, which doubles up capacity to approximately 600k bottles/month. While awaiting certificate of completion and compliance (CCC) approval, commercial production is expected to only commence by early FY24, targeting 33% increase to 400k bottles/month. Management plans to relocate current assembly facility and warehouse space to new expanded plant, while expanding cleanroom production in the existing plant. The strategic expansion also facilitates the installation of additional manufacturing lines for upcoming products such as Nebulizer and Sterile water.
- Key products highlights.** On the existing product, HYDROX Prefilled Humidifier average selling price (ASP) ranges from US\$1-2/per unit and commands profit before tax (PBT) margin of approximately 30-40%. Going forward, there are 4 new upcoming products in the pipeline, namely (i) Prefilled Nebuliser, (ii) Sterile water, (iii) Humidifier humidity sensor and (iv) Digital oxygen flowmeter. Demand for Prefilled Nebulizer and Sterile water is solid and shipments for export targets by end-2023. Meanwhile, Prefilled Nebulizer and Sterile water will leverage onto existing BWT water purification system which are used in production of Prefilled Humidifier. On the other hand, Humidifier sensor and Digital oxygen flowmeter is currently under-going application of patent process. With the ongoing capacity expansion and increasing production volume, margins are expected to strengthen through economies of scale
- Marketing and Distribution segment updates.** Growth was noticeable over the past quarters, and we expect the trend to carry on. Improvement is expected to be supported by increase CAPEX by healthcare entities, backed by government initiatives (higher allocation under Budget 2024), coupled with new laboratory equipment business acquired during current financial year. We gather that prior to the acquisition, the lab equipment business generated approximately RM150k/month in topline with a gross profit margin of approximately 40.0%. Going forward, UMC will be establishing a new showroom to strengthen their marketing and distribution business in Kuala Lumpur and Johor. The move aims to beef up their presence within these two locations.

- Further expansion on the cards.** The group remains active in seeking new land in Penang for expansion through Invest Penang. The aforementioned entity is a non-profit entity of the Penang State Government which was the second-highest contributors among all states in Malaysia's approved manufacturing investments in 2022, commanding 16% market share. Meanwhile, we've observed that existing plant would have the flexibility to accommodate a potential expansion of second floor, generating additional space to house future manufacturing capacity.
- Consensus estimates.** According to Bloomberg consensus estimates, the fair value for UMC is at **RM0.98**, representing potential 29.0% upside from the last traded price of RM0.76. Forward valuations with P/E multiples of 21.7x and 17.3x for FY24F and FY25F respectively are touted to be in line with its 1-year historical mean average of 21.5x.

Appendix 1: Manufacturing segment process



Source: UMC

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Recommendation:	NR
Current Price:	RM 0.835
Previous Target Price:	N/A
Target Price:	N/A

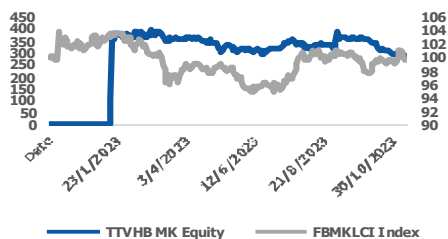
Stock information

Board	ACE
Sector	SEMICONDUCTORS
Bursa / Bloomberg Code	0272 / TTVHB MK
Syariah Compliant	Yes
FTSE4Good Index	NO
FTSE ESG Rating	N/A
Bloomberg ESG Rating	N/A
Shares issued (m)	468.0
Market Cap (RM' m)	390.8
52-Week Price Range (RM)	0.825-1.7
Beta (x)	N/A
Free float (%)	19.2
3M Average Volume (m)	0.7
3M Average Value (RM' m)	0.8

Top 3 Shareholders (%)

Khazanah Nasional Bhd	23.5
Wong Yih Hsow	21.5
Goon Koon Yin	21.5

Share Price Performance



	1M	3M	12M
Absolute (%)	-24.8	-26.1	N/A
Relative (%)	-25.9	-26.4	N/A

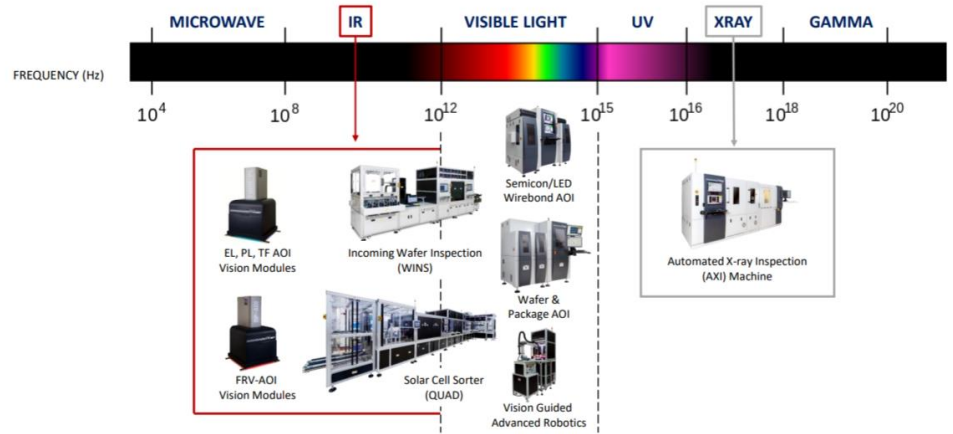
TT Vision Holdings Berhad

Positioned well on mega-trend industries

Summary

- Business Overview.** TT Vision (TTVHB) is a technology driven company that specialises in development of automated machine vision solutions serving optoelectronics (LEDs), solar cells, discrete components, and integrated circuit (IC) sectors within semiconductor industry located in Bayan Lepas. Penang.
- Existing Operations.** We toured the group's production plant located at Bayan Lepas, that house Plant 1, Plant 2, and Plant 3. Plant 1 and 2 focus on production and assembling of solar cell inspection and sorting equipment, while Plant 3 is dedicated for production of optoelectronic & discrete component and IC inspection equipment. At present, the group operations are supported by 138 staffs, primarily high-skilled personnel, which was an increase between 10-15% against previous year.
- New Product Developments.** The group excels in spectrum-based inspection machines and has recently ventured into a new product with the development of X-ray inspection equipment. The Automated X-ray Inspection (AXI) machine, primarily inspecting chip products and ICs, achieves higher resolution, ensuring better quality before mounting onto PC boards. TTVHB's AXI machines are currently serving top 10 manufacturers in automotive semiconductor production in China, with an ASP of RM2-3m. Margin wise, it is similar to existing products. Elsewhere on solar inspection, TTVHB is advancing their technology with the Tandem Cell Photoluminescence Inspection Modules, with clients progressing to Phase 2 of their pilot facility.
- Capacity expansion.** During our tour, we observed that Plant 1 and 2, dedicated to Solar Inspection machines, are operating at nearly full capacity, leaving limited room for new machines. Plant 3 wise, is running at around 80% capacity. The management briefed us of their plans to construct an additional two levels within the existing plant. This new space will be divided into 50% for office use and 50% for production. The project is slated for completion by the middle of next year, although the exact CAPEX for this expansion remains unclear. We anticipate potential funding or corporate exercises to support these expansion plans.
- Outlook.** We understand that orders remain robust, particularly from solar and automotive customers. Although there was a recovery in order flows from optoelectronic & discrete component and integrated circuit machines, significant capex investment from customers remains uncertain due to industry ambiguity. Despite that, TTVHB is actively diversifying revenue contributions from mega-trend industries and aims to capture additional market share in solar inspection machines, particularly from the West. The strategic move aligns with Europe's Green Deal Industrial Plan and the USA's Inflation Reduction Act.
- Valuation.** There is no coverage on the group based on Bloomberg consensus estimates. At present, the group is trading at valuations with trailing-12-months P/E multiples of 39.3x which is lower than its 1 year historical mean average of 42.0x but higher than the industry of an average of 31.2x.

Appendix 1: Products in Spectrum-Based Inspection Machine



Source: TTVHB

Appendix 2: Products in Solar cell Inspection Machine



Source: TTVHB

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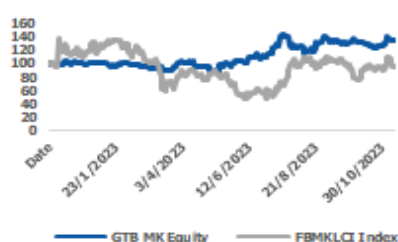
Recommendation:	NR
Current Price:	RM 1.53
Previous Target Price:	N/A
Target Price:	N/A

Stock information

Board	MAIN
Sector	SEMICONDUCTORS
Bursa / Bloomberg Code	7022 / GTB MK
Syariah Compliant	Yes
FTSE4Good Index	Yes
FTSE ESG Rating	☆☆☆☆
Bloomberg ESG Rating	N/A
Shares issued (m)	671.5
Market Cap (RM' m)	1,027.4
52-Week Price Range (RM)	0.99-1.71
Beta (x)	0.8
Free float (%)	55.7
3M Average Volume (m)	1.5
3M Average Value (RM' m)	2.2

Top 3 Shareholders	(%)
Employees Provident Fund Board	14.8
GENERAL PRODUCE AGENCY SDN BHD	7.1
OOI KENG THYE	7.0

Share Price Performance



	1M	3M	12M
Absolute (%)	5.5	13.3	33.1
Relative (%)	3.9	12.8	31.6

Globetronics Technology Berhad

Challenges persist with lower volume loading

Summary

- Business Overview.** GTRONIC specialises in the manufacture, assembly, testing and sale of integrated circuits, light-emitting diode (LED) components, encoders, sensors, quartz crystal products, timing devices, and related technologies based in Bayan Lepas, Penang.
- 3QFY23 Results.** We visited the group's Phase 4 office post-release of their 3QFY23 quarterly results. CFO Mr. Ng, briefed us on their latest quarter, noting a seasonally stronger +34.7% qoq net profit performance. However, yoy performance weakened (-25%) due to lower volume loading, as end customer (a major multinational technology company) of Customer A (one of GTRONIC's largest customers) exercised caution to prevent excess inventory. This, coupled with lower forex gains, has offset the one-off gain of RM1.3m from the disposal of machinery.
- Capacity.** In 3QFY23, the average monthly volume breakdown for the sensor business was as follows: light sensor – 23.0m units, gesture sensor – 18.0m units, and motion sensors – 4.0m units. During peak times, production capacity can reach up to 25-26m units/month for light sensors, 22m units/month for gesture sensors, and motion sensors maintain stability at around 4.5-5m units/month, driven by consistent demand for the timing device.
- Margins dragged by higher utility cost.** Current utilities cost stands at RM 300k/month, totalling approximately RM3.5m annually, accounting for 12.0% of the total operating expenses, against 7.0% in FY22. The rise is attributed to higher ICPT rate and higher Green Electricity Tariff (GET) rate. We gather that GET rate is now 4.0 sen higher than the ICPT rate. Despite higher GET rate, the group remains committed to investing in renewable energy to align with customer ESG preferences.
- Going into 4Q and FY24.** We were guided by the customer's projections, that overall production in 4Q2023 will decline by 10.0% vs. 3Q2023. While loading volumes in October 2023 and November 2023 are relatively higher, December 2023 loading volume is anticipated to record 30% mom decline. The challenging conditions are expected to only stabilise from February 2024 onwards. Sensor segment is set to remain as the leading segment for FY24. Moving forward, the group plans to place greater emphasis on consumer products, memory-related products, and industrial products.
- Capex update.** The group has allocated RM35-36m for capex in FY23, with approximately RM30.0m utilised, so far. Of this, RM8-9m is allocated to energy efficiency measures, while RM25-26m is designated for equipment. Out of the equipment budget, RM10.0m has been invested to position for a new product for a new customer, which will be further elaborated below.
- New customers.** The allocated RM10m capex is earmarked for a new customer based in US, which is a subsidiary of an application-specific LED company. Production is expected to commence in 1QFY24, with an estimated annual revenue of US\$6m and commands PAT margin around 10-11%. Additionally, new Taiwanese customer, specialising in front-end wafer level processing related to memory chips,

has been secured for advance packaging solution. Production is scheduled to start in 2QFY24, with an estimated annual revenue contribution of US\$2-3m and projected to gradually increase by US\$1m annually.

- **Consensus estimates.** According to Bloomberg consensus estimates, fair value for GTRONIC is at RM1.35, representing a potential 7.8% downside (inclusive of a dividend yield of 3.9%) from the last traded price of RM1.53. Forward valuations with P/E multiples of 27.3x and 24.3x for FY24F and FY25F respectively appears to be at a slight premium against the 5-year historical mean average of 20.2x.

APEX SECURITIES BERHAD – CONTACT LIST

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<p>Mutiara Damansara Office: 5th Floor Menara UAC, 12, Jalan PJU 7/5, Mutiara Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 7890 8899</p>	<p>Institutional Dealing Team: Siti Nur Nadhirah (ext 2032)</p> <p>PJ Office: General Line: (603) 7620 1118 Azfar Bin Abdul Aziz (Ext 822)</p>	

RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Total returns* are expected to exceed 10% within the next 12 months.
HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.
SELL: Total returns* are expected to be below -10% within the next 12 months.
TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.
TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.
 *Capital gain + dividend yield

SECTOR RECOMMENDATIONS

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

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