

Jayden Tan

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Recommendation:	BUY
Current Price:	RM 2.61
Previous Target Price:	RM 3.22
Target Price:	↔ RM 3.22
Upside/Downside:	23.4%

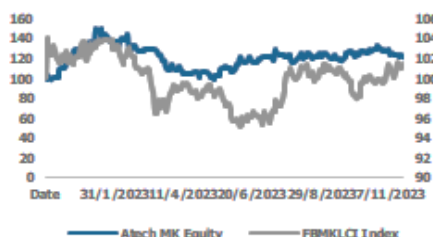
Stock information

Board	MAIN
Sector	EMS
Bursa / Bloomberg Code	5302 / ATECH MK
Syariah Compliant	Yes
FTSE4Good Index	N/A
FTSE ESG Rating	N/A
Bloomberg ESG Rating	N/A
Shares issued (m)	394.1
Market Cap (RM' m)	1,028.5
52-Week Price Range (RM)	3.4-1.99
Beta (x)	0.3
Free float (%)	30.5
3M Average Volume (m)	0.6
3M Average Value (RM' m)	1.6

Top 3 Shareholders (%)

MAIN STREAM HOL SDN BHD	20.0
MAIN STREAM LIMITED	19.4
Loh Hock Chiang	7.8

Share Price Performance



	1M	3M	12M
Absolute (%)	-4.7	0.8	21.4
Relative (%)	-5.5	-2.4	22.0

Aurelius Technologies Berhad

Land acquisition envisioned for Plant 5

Summary

- **Atech propose to acquire a vacant industrial land with approximately 270k sqft located in Kulim High-Tech Park.**
- **This acquisition indicates management's commitment readiness to accommodate future growth in Plant 5 manufacturing capacity which planned since Jan 2023.**
- **We maintain our BUY recommendation with an unchanged target price of RM3.22 by pegging PE multiple of 20x to FY24F EPS of 16.1 sen.**

Results Review

- **Land acquisition envisioned for Plant 5.** Atech has signed a Letter of Offer to purchase a vacant industrial land with approximately 270k sqft located in Kulim High-Tech Park which 6km away from its current operating plant. The acquisition will be settled with RM12.2m cash.
- **Stepping up production facilities.** We opine the acquisition indicates management's commitment readiness to accommodate future growth in Plant 5 manufacturing capacity. To recap, Atech has purchase a vacant industrial land (New Land 1) with approximately 302k sqft located 6km away from its current operating plant back in Jan 2023 and the group intends to construct a manufacturing plant (plant 5) to serve as a main automotive manufacturing hub. Atech plans to expand its communication, Internet-of-Things (IoT) devices, semiconductor components, and automotive components business. Anticipating on the need for additional manufacturing space in the next 3 to 5 years, the proposed acquisition aims to facilitate the construction of an adjoining expansion and extension of P5 at recent purchased land (New Land 2).
- **Plant 5 details.** Atech targeted the New Land 1 to be handover on Jan 2024 and Plant 5 targeted to be operationally ready by end 2024. Planning of Plant 5 development is currently being finalised with an estimated approximate gross floor area of 250k sqft of integrated manufacturing, warehouse and office space at P5, including approximately 50,000 sqft of ISO 8 (Class 100,000) clean room facilities. The construction cost of Plant 5 is estimated to be total approximately RM65.0m.
- **Funding.** The group intend to finance 90% of the consideration, approximately RM11m, for the acquisition of the vacant land through bank borrowings. This is expected to result in an increase of approximately RM300k in annual finance costs.
- **Valuation.** We make no changes to our earnings forecast due to lack of clarity over the project timeline. Adjustments will be performed accordingly after obtaining further information on the project regarding to this acquisition. For now, we re-iterate our **BUY** recommendation on Atech with unchanged target price of RM3.22.
- **Risk.** Prolonged demand weakness on consumer electronic products. Reversal of strong US Dollar against Ringgit dragged bottom line.

Financial Highlights

Income Statement

FYE Dec (RM m)	FY21	FY22	FY23	FY23F	FY24F
Revenue	362.2	367.4	482.4	425.5	701.3
Gross Profit	30.1	40.7	60.2	67.0	105.2
Other income	1.2	0.3	1.4	2.0	0.5
Administrative expenses	-9.1	-11.0	-17.1	-12.0	-19.0
Selling and Distribution expen	-0.2	-0.2	-0.4	-0.4	-0.4
Operating Profit	22.0	29.8	44.2	56.6	86.3
Finance costs	-4.1	-3.9	-3.9	-5.0	-5.0
Pre-tax Profit	17.8	25.9	40.3	51.6	81.3
Tax	-2.7	-3.9	-3.0	-11.9	-17.9
Profit After Tax	15.1	22.0	37.2	39.7	63.4
Minority Interest	1.6	0.0	0.0	0.0	0.0
Net Profit	16.7	22.0	37.2	39.7	63.4
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	16.7	22.0	37.2	39.7	63.4

Key Ratios

FYE Dec (RM m)	FY21	FY22	FY23	FY23F	FY24F
GP margin	8.3%	11.1%	12.5%	15.7%	15.0%
Operating margin	6.1%	8.1%	9.2%	13.3%	12.3%
PBT margin	4.9%	7.1%	8.4%	12.1%	11.6%
PAT margin	4.2%	6.0%	7.7%	9.3%	9.0%
NP margin	4.6%	6.0%	7.7%	9.3%	9.0%
Core NP margin	4.6%	6.0%	7.7%	9.3%	9.0%
ROE	19.9%	10.9%	16.1%	11.9%	16.9%
ROA	29.7%	26.2%	31.8%	26.1%	35.0%
Net gearing	141.8%	39.6%	22.5%	-0.6%	-2.2%

Key Metric

FYE Dec (RM m)	FY21	FY22	FY23	FY23F	FY24F
P/E (x)	29.2	22.1	25.9	26.7	16.7
Dividend Yield (%)	0.0%	0.3%	0.7%	2.2%	2.9%
SMT line	n/a	11	14	15	17

Valuations FY24f

Core EPS (RM)	0.161
P/E multiple (x)	20.0
Fair Value (RM)	3.22

Balance Sheet

FYE Dec (RM m)	FY21	FY22	FY23	FY23F	FY24F
Cash	17.1	34.6	41.7	90.1	129.6
Receivables	100.2	90.6	131.8	139.3	127.3
Inventories	72.5	133.5	101.7	82.4	137.1
Other current assets	35.6	68.7	26.9	33.4	33.3
Total Current Assets	225.4	327.4	302.2	345.2	427.3
Fixed Assets	56.2	84.0	115.4	152.1	181.0
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.0	1.8	0.0	0.0
Total Non-current assets	56.2	84.0	117.2	152.1	181.0
Short-term Debt	110.2	98.5	72.7	72.2	96.7
Payables	46.3	75.5	69.0	51.9	86.4
Other Current Liabilities	9.8	12.2	15.3	15.5	17.0
Total Current Liabilities	166.3	186.2	157.1	139.6	200.1
Long-term Debt	26.1	15.9	21.1	16.0	24.6
Other non-current liabilities	5.1	7.9	9.6	7.2	7.9
Total Non-current Liabilities	31.2	23.7	30.7	23.2	32.5
Shareholder's equity	84.1	201.4	231.6	334.6	375.7
Minority interest	0.0	0.0	0.0	0.0	0.0
Equity	84.1	201.4	231.6	334.6	375.7

Cash Flow

FYE Dec (RM m)	FY21	FY22	FY23	FY23F	FY24F
Pre-tax profit	17.8	25.9	40.3	51.6	81.3
Depreciation & amortisation	4.5	5.6	8.5	11.5	15.2
Changes in working capital	-3.0	-18.6	-9.5	-13.3	-6.6
Others	-19.2	-1.7	1.7	-11.9	-17.9
Operating cash flow	0.2	11.1	41.0	38.0	72.0
Net capex	-11.4	-33.4	-39.6	-48.2	-44.2
Others	-3.1	-1.2	-1.3	0.0	0.0
Investing cash flow	-14.5	-34.6	-40.9	-48.2	-44.2
Changes in borrowings	0.0	-22.1	-19.3	-5.7	33.2
Issuance of shares	0.0	98.6	0.0	77.1	0.0
Dividends paid	-4.9	-0.6	-7.2	-13.9	-22.2
Others	8.9	0.0	-0.2	0.0	0.0
Financing cash flow	4.0	76.0	-26.7	57.5	11.0
Net cash flow	-10.3	52.5	-26.6	47.3	38.8
Forex	0.1	0.0	-1.3	1.1	0.8
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	27.4	17.1	69.6	41.7	90.1
Ending cash	17.1	69.6	41.7	90.1	129.6

Source: Company, Apex Securities

APEX SECURITIES BERHAD – CONTACT LIST

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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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