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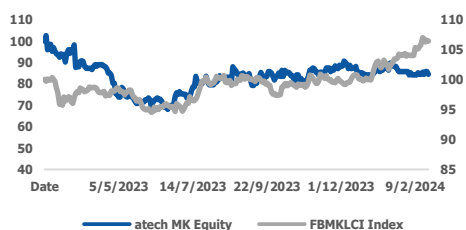
Recommendation:	BUY
Current Price:	RM 2.61
Previous Target Price:	RM 3.22
Target Price:	↔ RM 3.22
Upside/Downside:	23.4%

Stock information

Board	MAIN
Sector	Industrial Products
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)	3.34-2.1
Beta (x)	0.5
Free float (%)	30.5
3M Average Volume (m)	0.5
3M Average Value (RM' m)	1.2

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 (%)	-1.5	-3.3	-16.9
Relative (%)	-3.6	-9.1	-21.8

Aurelius Technologies Berhad

Bracing for better FY24









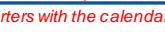
Summary

- **Atech's 11MFY23 core net profit at RM38.2m in line with expectations.**
- **Looking ahead, we expecting better earnings from Atech moving forward supporting by the destocking activities from customers is bottoming out and new developments.**
- **We maintain our BUY recommendation with an unchanged target price of RM3.22 by pegging PE multiple of 20x to FY25f EPS of 16.1 sen.**

Results Review

- **Results review.** 4QFY23 (covering 2 months only after changing financial year end) core net profit reported RM9.9m. Based on an average of three months data, core net profit grew 53.6% qoq and 15.8% yoy. Growth was mainly due to higher GP margin and lower effective tax rate. Quarterisation of revenue increased 26.2% qoq but fell -9.1% yoy due to continued destocking activities of customers following the challenging economic outlook ahead. An interim dividend of 2.5 sen/share for the period was declared.
- **Within expectations.** In 11M23, cumulative net profit at RM38.3m makes up to 98% of our and consensus forecasted net profit of RM39.0m.
- **Operations Highlights.** Gross profit margin noticeably improved on both qoq (+5.5 bp) and yoy (+1.4bp), driven by a favorable product mix, featuring higher-margin products. However, the lower PBT margin was dragged by forex loss due to weakening of US Dollar. Product segment wise, Electronics Devices segment showed strong growth, mainly attributed to the increase order from O&G customer.
- **Industry Highlights.** We opine the destocking activities by customers are bottoming out based on our observation of industry trend and we expect the situation will gradually recover in FY24. Optimism in the EMS sector is fueled by expectations of a global economic recovery, coupled with the tail end of the global interest rate hike cycle. We also opine local EMS players may potentially benefit from the global supply chain diversion and relocation.
- **Outlook.** We anticipate improved earnings from Atech in the upcoming periods, supported by signs that destocking activities from customers are bottoming out. This is evidenced by the Group's increasing order book, which rose to RM514m as of February 2024 from RM473m as of December 2023. Furthermore, earnings growth is expected to be bolstered by a positive outlook on the Group's venture into EV components and further expansion in IoT and automotive segments, driven by the onboarding of new customers.
- **Valuation.** With the reported earning coming in line, we kept our forecast unchanged. Consequently, 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.

Figure 1: Results Comparison

FYE Dec (RM m)	4QFY23	4QFY22	YoY (%)	4QFY22	QoQ (%)	FY22	11MFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	83.1	137.1	N/A	109.0	N/A	482.4	385.6	N/A		
Gross Profit	14.8	22.5	N/A	15.3	N/A	60.2	49.9	N/A		
Operating Profit	9.7	15.2	N/A	12.7	N/A	44.2	44.2	N/A		
Net profit	9.9	12.9	N/A	10.6	N/A	37.2	38.2	N/A		
Core net profit	9.9	12.9	N/A	10.6	N/A	37.2	38.2	N/A		
Core EPS (sen)	2.5	3.3	N/A	2.7	N/A	9.5	9.7	N/A		
EBITDA margin (%)	17.9	16.4		14.0		12.5	12.9			Better margin driven by a favorable product mix, featuring higher-margin products, and lower effective tax rate
PBT margin (%)	11.7	11.1		11.6		9.2	11.5			
Core PATMI margin (%)	12.0	9.4		9.7		7.7	9.9			

Source: Company, Apex Securities. *Covering only 2 months due to change of financial year to realign the Company's financial quarters with the calendar year.

Income Statement

FYE Dec (RM m)	FY21	FY22	FY23	FY23	FY24F	FY25F
Revenue	362.2	367.4	482.4	385.6	552.2	702.8
Gross Profit	30.1	40.7	60.2	50.0	82.8	105.4
Other income	12	0.3	14	6.6	0.5	0.5
Administrative expenses	-9.1	-11.0	-17.1	-12.0	-19.0	-19.0
Selling and Distribution expense:	-0.2	-0.2	-0.4	-0.4	-0.4	-0.4
Operating Profit	22.0	29.8	44.2	44.2	63.9	86.5
Finance costs	-4.1	-3.9	-3.9	16	-5.0	-5.0
Pre-tax Profit	17.8	25.9	40.3	45.8	58.9	81.5
Tax	-2.7	-3.9	-3.0	-7.5	-13.0	-17.9
Profit After Tax	15.1	22.0	37.2	38.2	46.0	63.6
Minority Interest	16	0.0	0.0	0.0	0.0	0.0
Net Profit	16.7	22.0	37.2	38.2	46.0	63.6
Exceptionals	0.0	0.0	0.0	0.0	0.0	0.0
Core Net Profit	16.7	22.0	37.2	38.2	46.0	63.6

Key Ratios

FYE Dec (RM m)	FY21	FY22	FY23	FY23	FY24F	FY25F
GP margin	8.3%	11.1%	12.5%	13.0%	15.0%	15.0%
Operating margin	6.1%	8.1%	9.2%	11.5%	11.6%	12.3%
PBT margin	4.9%	7.1%	8.4%	11.9%	10.7%	11.6%
PAT margin	4.2%	6.0%	7.7%	9.9%	8.3%	9.0%
NP margin	4.6%	6.0%	7.7%	9.9%	8.3%	9.0%
Core NP margin	4.6%	6.0%	7.7%	9.9%	8.3%	9.0%
ROE	19.9%	10.9%	16.1%	11.6%	11.4%	15.7%
ROA	29.7%	26.2%	31.8%	31.0%	24.2%	33.2%
Net gearing	141.8%	39.6%	22.5%	-13.7%	-3.1%	1.9%

Key Metric

FYE Dec (RM m)	FY21	FY22	FY23	FY23	FY24F	FY25F
P/E (x)	29.2	22.1	25.1	26.9	22.4	16.2
Dividend Yield (%)	0.0%	0.3%	0.8%	2.3%	3.0%	3.0%
SMT line	n/a	11	14	15	17	17

Valuations

	FY25f
Core EPS (RM)	0.161
P/E multiple (x)	20.0
Fair Value (RM)	3.228

Balance Sheet

FYE Dec (RM m)	FY21	FY22	FY23	FY23	FY24F	FY25F
Cash	17.1	34.6	41.7	67.0	44.4	45.2
Receivables	100.2	90.6	131.8	99.1	174.3	211.7
Inventories	72.5	133.5	101.7	154.9	108.0	137.4
Other current assets	35.6	68.7	26.9	42.9	31.7	33.3
Total Current Assets	225.4	327.4	302.2	364.0	358.3	427.5
Fixed Assets	56.2	84.0	115.4	122.3	189.6	191.7
Intangibles	0.0	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.0	18	0.9	0.0	0.0
Total Non-current assets	56.2	84.0	117.2	123.2	189.6	191.7
Short-term Debt	110.2	98.5	72.7	5.2	13.8	31.7
Payables	46.3	75.5	69.0	94.1	86.4	109.9
Other Current Liabilities	9.8	12.2	15.3	28.1	17.0	44.1
Total Current Liabilities	166.3	186.2	157.1	127.4	117.2	185.7
Long-term Debt	26.1	15.9	21.1	16.7	17.8	21.0
Other non-current liabilities	5.1	7.9	9.6	12.9	7.9	7.7
Total Non-current Liabilities	31.2	23.7	30.7	29.5	25.8	28.7
Shareholder's equity	84.1	201.4	231.6	330.3	404.9	404.9
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Equity	84.1	201.4	231.6	330.3	404.9	404.9

Cash Flow

FYE Dec (RM m)	FY21	FY22	FY23	FY23	FY24F	FY25F
Pre-tax profit	17.8	25.9	40.3	45.8	58.9	81.5
Depreciation & amortisation	4.5	5.6	8.5	11.7	15.2	17.7
Changes in working capital	-3.0	-18.6	-9.5	13.5	-40.1	-40.1
Others	-19.2	-17	17	-5.6	-13.0	-17.9
Operating cash flow	0.2	11.1	41.0	65.3	21.0	41.1
Net capex	-11.4	-33.4	-39.6	-17.7	-40.1	-30.4
Others	-3.1	-12	-13	-9.3	8.5	7.6
Investing cash flow	-14.5	-34.6	-40.9	-26.9	-31.6	-22.8
Changes in borrowings	0.0	-22.1	-19.3	-72.5	3.1	3.9
Issuance of shares	0.0	98.6	0.0	77.2	0.0	0.0
Dividends paid	-4.9	-0.6	-7.2	-16.9	-16.1	-22.3
Others	8.9	0.0	-0.2	-12	0.0	0.0
Financing cash flow	4.0	76.0	-26.7	-13.5	-12.9	-18.4
Net cash flow	-10.3	52.5	-26.6	24.9	-23.5	0.0
Forex	0.1	0.0	-13	0.5	0.8	0.8
Others	0.0	0.0	0.0	0.0	0.0	0.0
Beginning cash	27.4	17.1	69.6	41.7	67.0	44.4
Ending cash	17.1	69.6	41.7	67.0	44.4	45.2

Source: Company, Apex Securities

*Covering only 11 months due to change of financial year to realign the Company's financial quarters with the calendar year.

*Before changing financial year end

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD	DEALING TEAM	RESEARCH TEAM
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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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