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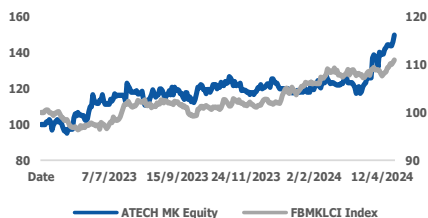
<b>Recommendation:</b>	<b>BUY</b>
<b>Current Price:</b>	RM 3.31
<b>Previous Target Price:</b>	RM 3.22
<b>Target Price:</b>	RM 3.83 <span style="color: green;">↑</span>
<b>Upside/Downside:</b>	<b>15.7%</b>

**Stock information**

Board	MAIN
Sector	Industrial Equipment
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)	1,304.4
52-Week Price Range (RM)	3.42-2.11
Beta (x)	0.5
Free float (%)	50.9
3M Average Volume (m)	0.6
3M Average Value (RM' m)	1.8

<b>Top 3 Shareholders</b>	<b>(%)</b>
Main Stream Limited	17.8
Loh Hock Chiang	7.8
Lee Chong Yeow	7.8

**Share Price Performance**



	1M	3M	12M
Absolute (%)	19.9	21.2	48.4
Relative (%)	17.5	16.4	29.1

## Aurelius Technologies Berhad

### Record earnings to start FY24










#### Summary

- **Atech's 3MFY24 core net profit at RM15.7m exceeded our expectations due to quicker-than-expected orders replenishment from customers.**
- **Expect the strong earnings growth momentum to remain place, driven by a robust orderbook and onboarding of new customers as well as products.**
- **Maintain BUY recommendation with higher target price of RM3.83.**

#### Results Review

- **Results review.** 1QFY24 core net profit reached a record high of RM15.7m, marking a significant jump of 95.1% yoy, driven by strong orders from legacy customers. Revenue for the quarter rose 33.0% yoy to RM125.7m. An interim dividend of 2.7 sen per share was declared for the period, aligning with our full-year dividend forecast of 5.0 sen.
- **Exceed Expectations.** 1QFY24 core net profit exceeded our expectations, accounting for 34% of our full-year forecasted profit. Key deviation was primarily due to customers replenishing orders at a faster pace than anticipated.
- **Operations Highlights.** Current orderbook stands at RM564m, up from RM514m prior quarter. Destocking activities have bottomed out, highlighting a rapid increase in order flow to ATECH. ATECH is currently operating at nearly full capacity while awaiting the completion of Plant 5, expected by 4Q24. The Group is onboarding several new customers, which contribution will take place in FY24 and FY25. Additionally, we anticipate more orders from their largest customer, following optimistic guidance which secured 5-6 new product lines. Upon the completion of Plant 5, we expect the ITA to reduce effective tax rate for FY24F to 15-16%.
- **Industry Highlights.** The industry is benefiting from the bottoming out of destocking activities by customers. Additionally, the strengthening of the USD and the intensifying US-China tensions are expected to benefit local players due to the global supply chain diversification and relocation.
- **Outlook.** Despite Q1 is seasonally weaker, we noticed ATECH delivered a solid performance. We expect this momentum to remain uninterrupted in coming quarters, driven by a robust orderbook from existing customers and the onboarding of new customers and products. Additionally, Atech is securing more orders from its server customers, and despite a year-long ramp-up delay, this highlights the Group's ability to tap into the booming AI trend. The latest proposed private placement is viewed positively as it will further strengthen the Group's balance sheet and prepare for future capacity expansions beyond Kulim.
- **Valuation.** Revised our earnings forecast upwards for FY24F and FY25F by 32% and 13% respectively, reflecting the strong orderbook and the onboarding of new customers. Maintain **BUY** recommendation on Atech with a higher target price of RM3.83 (after diluted of proposed private placement) with higher PER assigned aligned with the company's higher historical mean and the expectation of strong earnings and margins.
- **Risk.** Reversal of strong US dollar against Ringgit dragged bottom line.

Figure 1: Results Comparison

FYE Dec (RM m)	1QFY24	1QFY23	YoY (%)	4QFY23	QoQ (%)	5 Quarters Trend	Comments
Revenue	125.7	94.6	33%	83.1	N/A		Driven by strong orders from legacy customers
Gross Profit	20.2	7.6	167%	14.8	N/A		
Operating Profit	20.3	8.2	149%	9.7	N/A		
Net profit	15.7	8.1	95%	9.9	N/A		
Core net profit	15.7	8.1	95%	9.9	N/A		
Core EPS (sen)	3.6	1.9	95%	2.3	N/A		
EBITDA margin (%)	16.1	8.0		17.9			Better margin driven by a favorable product mix, featuring higher-margin products
PBT margin (%)	16.2	8.6		11.7			
Core PATMI margin (%)	12.5	8.5		12.0			

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.

**Financial Highlights**

**Income Statement**

FYE Dec (RM m)	FY22	FY23	FY23	FY24F	FY25F
<b>Revenue</b>	<b>367.4</b>	<b>482.4</b>	<b>385.6</b>	<b>612.1</b>	<b>727.0</b>
<b>Gross Profit</b>	<b>40.7</b>	<b>60.2</b>	<b>50.0</b>	<b>97.9</b>	<b>116.3</b>
Other income	0.3	1.4	6.6	0.5	0.5
Administrative expenses	-11.0	-17.1	-12.0	-19.0	-19.0
Selling and Distribution expenses	-0.2	-0.4	-0.4	-0.4	-0.4
<b>Operating Profit</b>	<b>29.8</b>	<b>44.2</b>	<b>44.2</b>	<b>79.0</b>	<b>97.4</b>
Finance costs	-3.9	-3.9	1.6	-5.0	-5.0
<b>Pre-tax Profit</b>	<b>25.9</b>	<b>40.3</b>	<b>45.8</b>	<b>74.0</b>	<b>92.4</b>
Tax	-3.9	-3.0	-7.5	-13.3	-20.3
<b>Profit After Tax</b>	<b>22.0</b>	<b>37.2</b>	<b>38.2</b>	<b>60.7</b>	<b>72.1</b>
Minority Interest	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>22.0</b>	<b>37.2</b>	<b>38.2</b>	<b>60.7</b>	<b>72.1</b>
Exceptionals	0.0	0.0	0.0	0.0	0.0
<b>Core Net Profit</b>	<b>22.0</b>	<b>37.2</b>	<b>38.2</b>	<b>60.7</b>	<b>72.1</b>

**Key Ratios**

FYE Dec (RM m)	FY22	FY23	FY23	FY24F	FY25F
GP margin	11.1%	12.5%	13.0%	16.0%	16.0%
Operating margin	8.1%	9.2%	11.5%	12.9%	13.4%
PBT margin	7.1%	8.4%	11.9%	12.1%	12.7%
PAT margin	6.0%	7.7%	9.9%	9.9%	9.9%
NP margin	6.0%	7.7%	9.9%	9.9%	9.9%
Core NP margin	6.0%	7.7%	9.9%	9.9%	9.9%
ROE	10.9%	16.1%	11.6%	11.2%	13.3%
ROA	26.2%	31.8%	31.0%	31.5%	36.9%
Net gearing	39.6%	22.5%	-13.7%	-23.4%	-22.0%

**Key Metric**

FYE Dec (RM m)	FY22	FY23	FY23	FY24F	FY25F
P/E (x)	22.1	25.1	26.9	18.6	15.7
Dividend Yield (%)	0.3%	0.8%	2.3%	3.0%	3.0%
SMT line	11	14	15	20	26

**Valuations**

FYE Dec (RM m)	FY25F
Core EPS (RM)	0.166
P/E multiple (x)	23.0
<b>Fair Value (RM)</b>	<b>3.83</b>

**Balance Sheet**

FYE Dec (RM m)	FY22	FY23	FY23	FY24F	FY25F
Cash	34.6	41.7	67.0	161.7	173.3
Receivables	90.6	131.8	99.1	193.2	218.9
Inventories	133.5	101.7	154.9	118.3	140.5
Other current assets	68.7	26.9	42.9	31.7	33.3
<b>Total Current Assets</b>	<b>327.4</b>	<b>302.2</b>	<b>364.0</b>	<b>504.8</b>	<b>566.0</b>
Fixed Assets	84.0	115.4	122.3	192.9	195.4
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	1.8	0.9	0.0	0.0
<b>Total Non-current assets</b>	<b>84.0</b>	<b>117.2</b>	<b>123.2</b>	<b>192.9</b>	<b>195.4</b>
Short-term Debt	98.5	72.7	5.2	15.2	32.5
Payables	75.5	69.0	94.1	94.6	112.4
Other Current Liabilities	12.2	15.3	28.1	17.0	44.1
<b>Total Current Liabilities</b>	<b>186.2</b>	<b>157.1</b>	<b>127.4</b>	<b>126.8</b>	<b>188.9</b>
Long-term Debt	15.9	21.1	16.7	19.6	21.5
Other non-current liabilities	7.9	9.6	12.9	7.9	7.7
<b>Total Non-current Liabilities</b>	<b>23.7</b>	<b>30.7</b>	<b>29.5</b>	<b>27.5</b>	<b>29.2</b>
Shareholder's equity	201.4	231.6	330.3	543.3	543.3
Minority interest	0.0	0.0	0.0	0.0	0.0
<b>Equity</b>	<b>201.4</b>	<b>231.6</b>	<b>330.3</b>	<b>543.3</b>	<b>543.3</b>

**Cash Flow**

FYE Dec (RM m)	FY22	FY23	FY23	FY24F	FY25F
<b>Pre-tax profit</b>	<b>25.9</b>	<b>40.3</b>	<b>45.8</b>	<b>74.0</b>	<b>92.4</b>
Depreciation & amortisation	5.6	8.5	11.7	15.2	17.7
Changes in working capital	-18.6	-9.5	13.5	-61.1	-61.1
Others	-1.7	1.7	-5.6	-13.3	-20.3
<b>Operating cash flow</b>	<b>11.1</b>	<b>41.0</b>	<b>65.3</b>	<b>14.8</b>	<b>28.7</b>
Net capex	-33.4	-39.6	-17.7	-40.1	-33.7
Others	-1.2	-1.3	-9.3	13.8	35.7
<b>Investing cash flow</b>	<b>-34.6</b>	<b>-40.9</b>	<b>-26.9</b>	<b>-26.2</b>	<b>2.1</b>
Changes in borrowings	-22.1	-19.3	-72.5	3.1	5.2
Issuance of shares	98.6	0.0	77.2	123.3	0.0
Dividends paid	-0.6	-7.2	-16.9	-21.2	-25.2
Others	0.0	-0.2	-1.2	0.0	0.0
<b>Financing cash flow</b>	<b>76.0</b>	<b>-26.7</b>	<b>-13.5</b>	<b>105.2</b>	<b>-20.0</b>
<b>Net cash flow</b>	<b>52.5</b>	<b>-26.6</b>	<b>24.9</b>	<b>93.9</b>	<b>10.8</b>
Forex	0.0	-1.3	0.5	0.8	0.8
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	17.1	69.6	41.7	67.0	161.7
<b>Ending cash</b>	<b>69.6</b>	<b>41.7</b>	<b>67.0</b>	<b>161.7</b>	<b>173.3</b>

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**

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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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