

Jayden Tan
 (603) 7890 8888 (ext 2069)
kdtdan@apexsecurities.com.my

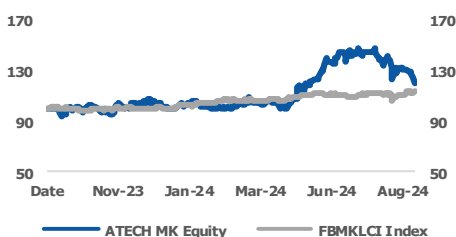
Recommendation:	BUY
Current Price:	RM 2.860
Previous Target Price:	RM 3.830
Target Price:	↔ RM 3.830
Upside/Downside:	33.9%

Stock information

Board	MAIN
Sector	Industrial Materials
Bursa / Bloomberg Code	5302 / ATECH MK
Syariah Compliant	Yes
FTSE4Good Index	No
FTSE ESG Rating	N/A
Bloomberg ESG Rating	N/A
Shares issued (m)	433.5
Market Cap (RM' m)	1,239.7
52-Week Price Range (RM)	2.42-3.89
Beta (x)	0.1
Free float (%)	55.3
3M Average Volume (m)	0.8
3M Average Value (RM' m)	2.8

Top 3 Shareholders	(%)
Main Stream Limited	16.1
Employees Provident Fund Board	8.8
Abrdn Plc	7.1

Share Price Performance



	1M	3M	12M
Absolute (%)	-20.6	-20.8	8.7
Relative (%)	-22.6	-23.1	-4.5

Aurelius Technologies Berhad

Performance within expectations

Summary

- ATECH reported a core net profit of RM16.0m for 2QFY24 (+1.9% qoq, +52.0% yoy) and RM31.8m for 1HFY24 (+70.7% yoy), which came in line with our expectations and accounting for 52.9% and 52.0% of ours and consensus full-year earnings forecast.
- We have revised our FY24 earnings forecast downward by -5% in FY24F to RM57.5m to reflect the weakening USD/MYR rate, which is expected to impact 2HFY24 performance. However, we maintain our FY25 forecast at RM72.2m and introduce a new FY26 forecast with core net profit of RM79.3m.
- We maintain our BUY recommendation with an unchanged target price of RM3.83, based on a unchanged 23x PE multiple on FY25 EPS.







Results Review

- **Results review.** In 2QFY24, the net profit reached a record high of RM16.0m, growing +52.0% yoy and +1.9% qoq. This strong performance was primarily driven by sustained revenue growth from the monetisation of the order book. Revenue for the quarter increased +39.6% yoy and +21.1% qoq to RM152.3m.
- **Within expectations.** 1HFY24 CNP of RM31.8m came within expectations, accounting for 52.9% and 52.0% of ours and consensus full-year forecasted of RM60.1m and RM62.0m respectively.
- **Operations Highlights.** The Communication Products segment revenue remained robust, growing +29% qoq and +36% yoy. The Electronic Device segment declined -10% qoq but increased +78% yoy, while the Semiconductor Components segment grew +24% qoq and +16% yoy. The Group's GP margin and PAT margin inched lower, due to an unfavorable product mix and negative forex impact in 2QFY24. Current order book fell to RM489.0m, from RM564.0m last quarter, primarily due to depreciation in value from the weakening USD/MYR. However, we remain optimistic about the order book's replenishment, as customer destocking has bottomed out, and existing customers are acquiring new products.
- **Industry Highlights.** Despite the ongoing headwinds from global economic uncertainties and the weakening of USD/MYR, the trend of supply chain diversification and relocation away from China continues to benefit local players, including ATECH.
- **Outlook.** We remain positive on the Group's growth momentum, driven by a sustainably strong order book from long-term customers and the onboarding of new customers and products. Looking ahead to FY25F, we anticipate stronger growth with the completion of the P5 capacity expansion by 4QFY24, alongside ramped-up production for new customers and products.
- **Valuation.** We have adjusted our FY24F earnings forecast downward by -5% to factor in the weakening USD/MYR, which is anticipated to mildly impact our 2HFY24 forecast. However, we maintain our FY25F forecast at RM72.2m and introduce a FY26F forecast with core net profit of RM79.3m, reflecting a +9.9% yoy growth. Growth will be supported by forex stability, with clearer global central bank monetary policy, and leveraging onto global supply chain diversification. We

maintained our **BUY** recommendation with an unchanged target price of RM3.83 based on unchanged P/E multiple of 23.0x to FY25F EPS of 16.7 sen.

- **Risk.** Prolonged weakening of the USD/MYR exchange rate will negatively affect our earnings forecast.

Figure 1: Results Comparison

FYE Dec (RM m)	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	1HFY23	1HFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	152.3	109.0	39.6%	125.7	21.1%	203.7	278.0	36.5%		Driven by strong orders from long-term customers
Gross Profit	23.4	15.3	53.2%	20.2	16.1%	22.9	43.6	90.8%		
Operating Profit	20.2	12.7	58.8%	20.3	-0.7%	20.9	40.5	94.1%		Improved along with topline growth
Net profit	16.0	10.6	52.0%	15.7	1.9%	18.6	31.8	70.7%		
Core net profit	16.0	10.6	52.0%	15.7	1.9%	18.6	31.8	70.7%		
Core EPS (sen)	3.7	2.4	52.0%	3.6	1.9%	4.3	7.3	70.7%		
EBITDA margin (%)	15.4	14.0		16.1		11.2	15.7			
PBT margin (%)	13.2	11.6		16.2		10.2	14.6			
Core PATMI margin (%)	10.5	9.7		12.5		9.1	11.4			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Dec (RM m)	FY23*	FY23**	FY24F	FY25F	FY26F
Revenue	482.4	385.6	585.6	727.0	821.5
Gross Profit	60.2	50.0	90.8	112.7	127.3
Other income	14	6.6	-3.0	2.0	0.5
Administrative expenses	-17.1	-12.0	-15.8	-19.6	-22.2
Selling and Distribution expenses	-0.4	-0.4	-0.5	-0.6	-0.7
Operating Profit	44.2	44.2	71.5	94.5	105.0
Finance costs	-3.9	16	-14	-19	-3.3
Pre-tax Profit	40.3	45.8	70.1	92.5	101.7
Tax	-3.0	-7.5	-12.6	-20.4	-22.4
Profit After Tax	37.2	38.2	57.5	72.2	79.3
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	37.2	38.2	57.5	72.2	79.3
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	37.2	38.2	57.5	72.2	79.3

Key Ratios

FYE Dec (RM m)	FY23*	FY23**	FY24F	FY25F	FY26F
GP margin	12.5%	13.0%	15.5%	15.5%	15.5%
Operating margin	9.2%	11.5%	12.2%	13.0%	12.8%
PBT margin	8.4%	11.9%	12.0%	12.7%	12.4%
PAT margin	7.7%	9.9%	9.8%	9.9%	9.7%
NP margin	7.7%	9.9%	9.8%	9.9%	9.7%
Core NP margin	7.7%	9.9%	9.8%	9.9%	9.7%
ROE	16.1%	116%	10.9%	12.6%	12.2%
ROA	31.8%	310%	30.0%	37.2%	39.8%
Net gearing	22.5%	Net Cash	Net Cash	Net Cash	Net Cash

Valuations

	FY25F
Core EPS (RM)	0.167
P/E multiple (x)	23.0
Fair Value (RM)	3.83

Source: Company, Apex Securities

*11months data due to change in FYE to 31Dec

**Based on FYE 31Jan

Balance Sheet

FYE Dec (RM m)	FY23*	FY23**	FY24F	FY25F	FY26F
Cash	41.7	67.0	212.4	238.1	298.0
Receivables	131.8	99.1	105.4	130.9	147.9
Inventories	101.7	154.9	158.3	178.2	201.3
Other current assets	26.9	42.9	22.9	20.8	45.9
Total Current Assets	302.2	364.0	499.0	567.9	693.0
Fixed Assets	115.4	122.3	191.4	194.1	199.3
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	1.8	0.9	0.0	0.0	0.0
Total Non-current assets	117.2	123.2	191.4	194.1	199.3
Short-term Debt	72.7	5.2	13.3	26.0	58.7
Payables	69.0	94.1	102.9	115.8	130.9
Other Current Liabilities	15.3	28.1	15.1	15.1	15.1
Total Current Liabilities	157.1	127.4	131.4	156.9	204.7
Long-term Debt	21.1	16.7	24.6	26.5	29.5
Other non-current liabilities	9.6	12.9	7.9	7.7	7.9
Total Non-current Liabilities	30.7	29.5	32.5	34.2	37.4
Shareholder's equity	231.6	330.3	526.6	571.0	650.3
Minority interest	0.0	0.0	0.0	0.0	0.0
Equity	231.6	330.3	526.6	571.0	650.3

Cash Flow

FYE Dec (RM m)	FY23*	FY23**	FY24F	FY25F	FY26F
Pre-tax profit	40.3	45.8	70.1	92.5	101.7
Depreciation & amortisation	8.5	11.7	17.7	19.1	19.4
Changes in working capital	-9.5	13.5	-5.1	-34.0	-24.6
Others	1.7	-5.6	-12.6	-20.4	-22.4
Operating cash flow	41.0	65.3	70.1	57.3	74.2
Net capex	-39.6	-17.7	-32.2	-21.8	-24.6
Others	-1.3	-9.3	-12.5	0.0	1.5
Investing cash flow	-40.9	-26.9	-44.7	-21.8	-23.1
Changes in borrowings	-19.3	-72.5	16.0	14.6	35.8
Issuance of shares	0.0	77.2	123.3	0.0	0.0
Dividends paid	-7.2	-16.9	-20.1	-25.3	-27.8
Others	-0.2	-1.2	0.0	0.0	0.0
Financing cash flow	-26.7	-13.5	119.2	-10.7	8.0
Net cash flow	-26.6	24.9	144.6	24.8	59.1
Forex	-1.3	0.5	0.8	0.8	0.8
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	69.6	41.7	67.0	212.4	238.1
Ending cash	41.7	67.0	212.4	238.1	298.0

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD	DEALING TEAM	RESEARCH TEAM
<p>Head 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>Petaling Jaya Office: 16th Floor, Menara Choy Fook Onn, No.1B Jalan Yong Shook Lin, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 7620 1118</p>	<p>Head Office: Kong Ming Ming (ext 2002) Lee Chen Ming (ext 2029) Shirley Chang (ext 2026) Ahmad Mujib (ext 2028) Azfar Bin Abdul Aziz (ext 2031) Aizzat Bin Mohd Daud (ext 2030)</p> <p>Institutional Dealing Team: Low Jin Wu (ext 2109)</p> <p>PJ Office: General Line: (603) 7620 1118</p>	<p>Head Office: Kenneth Leong (ext 2093) Steven Chong (ext 2068) Jayden Tan (ext 2069) Chelsea Chew (ext 2070) Tan Sue Wen (ext 2095)</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

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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