

Jayden Tan

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<b>Recommendation:</b>	<b>BUY</b>
<b>Current Price:</b>	<b>RM 2.89</b>
<b>Previous Target Price:</b>	<b>RM 3.83</b>
<b>Target Price:</b>	<b>↔ RM 3.83</b>
<b>Upside/Downside:</b>	<b>32.5%</b>

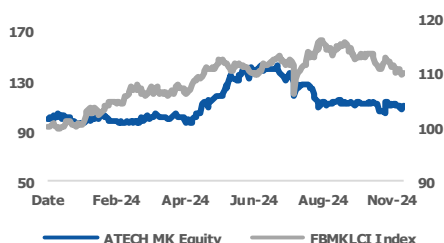
#### Stock information

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)	1,252.7
52-Week Price Range (RM)	2.53-3.89
Beta (x)	0.0
Free float (%)	55.3
3M Average Volume (m)	0.4
3M Average Value (RM' m)	1.1

#### Top 3 Shareholders

	(%)
Main Stream Limited	16.1
Employees Provident Fund Board	11.0
Abrdn Plc	9.2

#### Share Price Performance



	1M	3M	12M
Absolute (%)	-2.7	-5.2	7.4
Relative (%)	-1.8	-2.3	-3.0

## Aurelius Technologies Berhad

### Headline profit heavily impacted by forex losses










#### Summary

- **3QFY24 CNP of RM14.0m (+44.5%, -12.6% qoq), brings 9MFY24 CNP to RM45.8m (+61.7% yoy) which was within our expectations, accounting to 77% of our full-year forecast.**
- **We expect the earnings growth to gather momentum especially in FY25, driven by a robust orderbook and the onboarding of new customers and rollout of additional products.**
- **Maintain our BUY recommendation with an unchanged target price of RM3.83, based on 23.0x PE multiple pegged to FY25 EPS of 16.7 sen.**

#### Results Review

- **Results review.** In 3QFY24, net profit was significantly impacted by forex losses (weaker USD), recording only RM800k (-95.1% qoq and -92% yoy). GP margin also contracted due to higher material costs booked earlier at a higher USD/MYR exchange rate. Notwithstanding the forex impact, revenue increased by 8.9% qoq and 67.8% yoy to RM165.7m, driven by resilient demand from legacy customers, introduction of new product lines, and the commencement of production for a new customer. The board declared a dividend of 3.1 sen per share during the quarter.
- **CNP within expectations.** 3QFY24 core net profit (CNP), after excluding forex losses (RM6.7m realised and RM10.7m unrealised) and their tax impact (assumed tax rate: 24%), stood at RM14.0m. This brings 9MFY24 CNP to RM45.8m mil, accounting for 77.0% of our full-year CNP forecast of RM57.5m.
- **Operations Highlights.** During the quarter, GP margin was impacted by higher COGS, as materials were purchased earlier when the USD/MYR exchange rate was at higher level, while revenue was booked at a weaker USD/MYR rate. Despite that, all three main segments demonstrated resilience in revenue: Communication and IoT Products (+11% qoq, +73% yoy), Electronics Devices (+2% qoq, +41% yoy), and Semiconductor Components (-11% qoq, +72% yoy). The latest order book as of 18 Nov stands at RM475.0m (excluding contributions from Customer F and new customers), a slight decline from RM489.0m in last quarter, as customers are shifting towards shorter-term orders due to an improved supply chain environment.
- **Industry Highlights.** Despite the ongoing headwinds from global economic uncertainties and the fluctuations of USD/MYR, the trend of supply chain diversification and relocation away from China continues to benefit local players.
- **Outlook.** We remain optimistic over the Group's strong growth prospects for FY25 and beyond. This is supported by the P5 capacity expansion, which is expected to be operational by Dec 2024, catering to a robust order pipeline from both legacy and new customers, including new products. Additionally, production ramp-up for customers at P5 is anticipated to commence in early FY25. For the next quarter (4QFY24), we expect a strong bottomline, driven by the recovery of USD/MYR since Oct 2024 and a low tax rate, aided by a substantial deferred tax asset.
- **Valuation.** No changes to our earnings forecast. We maintain our **BUY** recommendation, with a target price of **RM3.83**.
- **Risks.** Fluctuation of forex. Uncertainties of Trump's tariff policies.

Figure 1: Results Comparison

FYE Dec (RM m)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	9MFY23	9MFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	165.7	98.8	67.8%	152.3	8.9%	302.5	443.7	46.7%		Driven by strong orders from long-term customers
Gross Profit	18.9	12.2	54.8%	23.4	-19.3%	35.1	62.5	78.3%		new customers
Operating Profit	(0.5)	13.6	-103.9%	20.2	-102.6%	34.4	39.9	16.0%		
Net profit	0.8	9.7	-92.0%	16.0	-95.1%	28.3	32.5	14.9%		Impacted by forex
Core net profit	14.0	9.7	44.5%	16.0	-12.6%	28.3	45.8	61.7%		
Core EPS (sen)	3.2	2.2	44.5%	3.7	-12.6%	6.5	10.6	61.7%		
EBITDA margin (%)	11.4	12.4		15.4		11.6	14.1			
PBT margin (%)	(0.3)	13.8		13.2		11.4	9.0			Margin impacted by forex
Core PATMI margin (%)	8.5	9.8		10.5		9.4	10.3			

Source: Company, Apex Securities

### Financial Highlights

#### Income Statement

FYE Dec (RM m)	FY23*	FY23**	FY24F	FY25F	FY26F
<b>Revenue</b>	<b>482.4</b>	<b>385.6</b>	<b>585.6</b>	<b>727.0</b>	<b>821.5</b>
<b>Gross Profit</b>	<b>60.2</b>	<b>50.0</b>	<b>90.8</b>	<b>112.7</b>	<b>127.3</b>
Other income	1.4	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
<b>Operating Profit</b>	<b>44.2</b>	<b>44.2</b>	<b>71.5</b>	<b>94.5</b>	<b>105.0</b>
Finance costs	-3.9	1.6	-1.4	-1.9	-3.3
<b>Pre-tax Profit</b>	<b>40.3</b>	<b>45.8</b>	<b>70.1</b>	<b>92.5</b>	<b>101.7</b>
Tax	-3.0	-7.5	-12.6	-20.4	-22.4
<b>Profit After Tax</b>	<b>37.2</b>	<b>38.2</b>	<b>57.5</b>	<b>72.2</b>	<b>79.3</b>
Minority Interest	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>37.2</b>	<b>38.2</b>	<b>57.5</b>	<b>72.2</b>	<b>79.3</b>
Exceptionals	0.0	0.0	0.0	0.0	0.0
<b>Core Net Profit</b>	<b>37.2</b>	<b>38.2</b>	<b>57.5</b>	<b>72.2</b>	<b>79.3</b>

#### Key Ratios

FYE Dec (RM m)	FY23*	FY23**	FY24F	FY25F	FY26F
P/E (x)	33.6	32.8	21.8	17.4	15.8
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%	11.6%	10.9%	12.6%	12.2%
ROA	31.8%	31.0%	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
<b>Fair Value (RM)</b>	<b>3.83</b>

Source: Company, Apex Securities

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

\*\*Based on FYE 31 Jan

#### 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
<b>Total Current Assets</b>	<b>302.2</b>	<b>364.0</b>	<b>499.0</b>	<b>567.9</b>	<b>693.0</b>
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
<b>Total Non-current assets</b>	<b>117.2</b>	<b>123.2</b>	<b>191.4</b>	<b>194.1</b>	<b>199.3</b>
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
<b>Total Current Liabilities</b>	<b>157.1</b>	<b>127.4</b>	<b>131.4</b>	<b>156.9</b>	<b>204.7</b>
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
<b>Total Non-current Liabilities</b>	<b>30.7</b>	<b>29.5</b>	<b>32.5</b>	<b>34.2</b>	<b>37.4</b>
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
<b>Equity</b>	<b>231.6</b>	<b>330.3</b>	<b>526.6</b>	<b>571.0</b>	<b>650.3</b>

#### Cash Flow

FYE Dec (RM m)	FY23*	FY23**	FY24F	FY25F	FY26F
<b>Pre-tax profit</b>	<b>40.3</b>	<b>45.8</b>	<b>70.1</b>	<b>92.5</b>	<b>101.7</b>
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
<b>Operating cash flow</b>	<b>41.0</b>	<b>65.3</b>	<b>70.1</b>	<b>57.3</b>	<b>74.2</b>
Net capex	-39.6	-17.7	-32.2	-21.8	-24.6
Others	-1.3	-9.3	-12.5	0.0	1.5
<b>Investing cash flow</b>	<b>-40.9</b>	<b>-26.9</b>	<b>-44.7</b>	<b>-21.8</b>	<b>-23.1</b>
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
<b>Financing cash flow</b>	<b>-26.7</b>	<b>-13.5</b>	<b>119.2</b>	<b>-10.7</b>	<b>8.0</b>
<b>Net cash flow</b>	<b>-26.6</b>	<b>24.9</b>	<b>144.6</b>	<b>24.8</b>	<b>59.1</b>
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
<b>Ending cash</b>	<b>41.7</b>	<b>67.0</b>	<b>212.4</b>	<b>238.1</b>	<b>298.0</b>

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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

#### 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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