

Globetronics Technology Berhad

((7022 | GTB MK) Technology | Semiconductors)

Reaching Breakeven Point

KEY INVESTMENT HIGHLIGHTS

- **Maintain SELL** with an unchanged target price of **RM0.99** post the group's dismal 2QFY23 financial performance
- **2QFY23** normalised earnings dropped to merely **RM2.4m**, premised on lower revenue of **RM31.5m**
- **This led to 1HY23** normalised earnings of **RM5.8m** which came in at the lower end of our expectation
- **Despite anticipating better revenue performance in 2HFY23**, full year **FY23** earnings would still be significantly lower as compared to **FY22**

Lacking rerating catalyst. The group's dismal 1HFY23 performance reinforces our **SELL** recommendation with an unchanged target price of **RM0.99**. While sequentially there should be better quarters ahead, on an annual basis we believe that **FY23** earnings would still see a significant reduction as compared to **FY22**. This is in view of softer demand for its products which led to lower utilisation rate which is further exacerbated by higher operating cost.

Contraction in quarterly performance. GTB's 2QFY23 normalised earnings came in at merely **RM2.4m** after adjusting for forex gain. This translates into a decline of **-77.2%yoy** and **-27.9%qoq**. The factory operations were running at a lower capacity utilization of **66%** in view of softer volume loadings from its customers. As such, 2QFY23 revenue declined to **RM31.5m**.

In addition, electricity and labour costs also put further pressure on the bottomline which resulted from the revision in **ICPT** rate and higher minimum wage respectively.

Meeting the lower end of our expectation. On a cumulative basis, 1HFY23 normalised earnings added up to **RM5.8m** (**-69.1%yoy**). This was led by lower 1HFY23 revenue of **RM64.6m** which primarily stemmed from the sensor products.

All in, we view that GTB's 1HFY23 financial performance came in at the lower end of our expectation, making up approximately **21%** of our full year **FY23** earnings estimates.

Recovery in 2HFY23. We anticipate volume loading to show improvement in 2HFY23. This will be mainly driven by better demand for its sensor products, namely light, gesture and motion sensors. This will lead to a better utilisation rate and thus profitability.

There are also ongoing design and/or development program with its existing and potential new customers. We understand that there has been more enquiry from China and Taiwan in view of diversification of business operations.

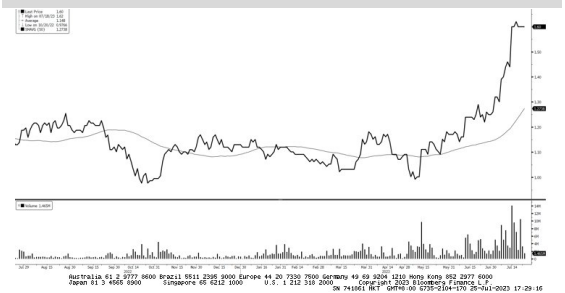
Maintain SELL

Unchanged Target Price: RM0.99

RETURN STATISTICS

Price @ 25 th July 2023 (RM)	1.60
Expected share price return (%)	-38.1
Expected dividend yield (%)	+2.6
Expected total return (%)	-35.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	3.7	4.8
3 months	3.7	3.3
12 months	-28.8	-22.5

INVESTMENT STATISTICS

FYE Dec	2023E*	2024F	2025F
Revenue	153.0	161.2	167.1
Operating Profit	25.7	31.7	36.4
Profit Before Tax	28.8	36.0	41.9
Core PATAMI	27.7	34.2	39.4
Core EPS	4.1	5.1	5.9
DPS	4.1	5.1	5.9
Dividend Yield	2.6	3.2	3.7

KEY STATISTICS

FBM KLCI	1,436.79
Issue shares (m)	669.45
Estimated free float (%)	57.4
Market Capitalisation (RM'm)	1,071.88
52-wk price range	RM0.99-RM1.71
3-mth average daily volume (m)	3.24
3-mth average daily value (RM'm)	4.24
Top Shareholders (%)	
Employees Provident Fund Board	14.66
General Produce Agency Sdn	7.13
Ooi Keng Thye	5.44

GLOBETRONICS TECHNOLOGY BHD: 2QFY23 RESULTS SUMMARY

<i>(All in RM'm unless stated otherwise)</i>	Quarterly Results			Cumulative		
	2Q23	% YoY	% QoQ	1H23	1H22	%YoY
FYE Dec						
Revenue	31.5	-34.1	-4.9	64.6	90.7	-28.7
EBITDA	12.6	-30.2	43.8	21.4	34.4	-37.8
Depreciation and amortisation	-3.4	-43.2	-2.6	-7.0	-11.7	-40.3
EBIT	9.2	-23.7	75.0	14.4	22.7	-36.5
Interest income	1.1	131.3	24.4	2.0	0.8	140.9
Associate's contribution	-0.3	n.m.	n.m.	-0.3	-0.4	n.m.
PBT	8.9	-24.6	70.7	14.1	22.3	-36.6
Taxation	-1.8	189.5	-4.4	-3.8	-1.3	196.4
PAT	7.1	-36.7	114.5	10.4	20.6	-49.7
Normalised PAT	2.4	-77.2	-27.9	5.8	18.7	-69.1
Normalised EPS (sen)	0.4	-77.2	-27.9	0.9	2.8	-69.1
EBITDA margin (%)	40.0	2.3	13.5	33.1	37.9	-4.8
EBIT margin (%)	29.1	4.0	13.3	22.3	25.0	-2.7
Normalised PAT margin (%)	7.7	-14.6	-2.5	9.0	20.7	-11.7
Effective tax rate (%)	20.6	15.3	-16.2	26.6	5.7	20.9

Source: Company, MIDF

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	206.0	180.1	153.0	161.2	167.1
EBITDA	80.9	71.1	29.5	36.1	41.6
Profit before tax	55.5	51.3	28.8	36.0	41.9
PAT	52.9	45.5	27.7	34.2	39.4
EPS (sen)	7.9	6.8	4.1	5.1	5.9
EPS Growth (%)	4	-14	-39	24	15
PER (x)	20.2	23.6	38.7	31.3	27.2
Dividend Per Share (sen)	7.5	7.0	4.1	5.1	5.9
Dividend yield (%)	5	4	3	3	4
Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
Fixed assets	68.5	57.6	64.2	72.4	83.0
Intangible assets	0.0	0.0	0.0	0.0	0.0
Others	29.6	29.2	35.8	43.2	51.4
Non-current assets	98.1	86.7	100.0	115.6	134.4
Cash	195.1	201.5	174.7	157.3	137.2
Trade debtors	32.9	29.1	37.1	39.0	40.5
Others	8.8	9.5	9.7	10.2	10.6
Current assets	236.8	240.1	221.5	206.6	188.2
Trade creditors	33.2	24.9	19.3	19.6	20.3
Short-term debt	0.0	0.0	0.0	0.0	0.0
Others	1.4	1.4	1.4	1.4	0.0
Current liabilities	26.3	20.7	21.0	21.7	0.0
Long-term debt	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	0.0	0.0	0.0	0.0	0.0
Share capital	186.5	186.5	186.5	186.5	186.5
Retained earnings	114.5	114.0	114.3	114.6	114.4
Equity	301.0	300.5	300.8	301.1	300.9

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	55.5	51.3	28.8	36.0	41.9
Depreciation & amortisation	27.2	21.8	3.8	4.4	5.2
Changes in working capital	81.4	71.2	30.2	37.8	44.3
Operating cash flow	88.2	61.8	19.8	91.4	105.5
Capital expenditure	-13.5	-15.0	-17.0	-20.0	-24.0
Investing cash flow	-7.1	-9.3	10.5	10.7	9.9
Dividends paid	-50.2	-46.9	-27.4	-33.9	-39.6
Financing cash flow	-50.2	-46.9	-27.4	-33.9	-39.6
Net cash flow	30.9	5.7	2.8	68.2	75.8
Beginning cash flow	163.7	195.1	201.5	204.3	272.5
Ending cash flow	195.1	201.5	204.3	272.5	348.3

Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBIT margin (%)	26	27	17	20	22
PBT margin (%)	27	28	19	22	25
PAT margin (%)	26	25	18	21	24

Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology