

# Globetronics Technology Berhad

(7022 | GTB MK) Technology | Semiconductors

## Still Soft Demand

### KEY INVESTMENT HIGHLIGHTS

- **Maintain SELL with a lower target price of RM0.89 post the group's dismal 3QFY23 financial performance**
- **3QFY23 normalised earnings declined by -11.8%yoy but improved sequentially by +223.8%qoq to RM7.9m**
- **This led to 9MFY23 normalised earnings of RM13.6m which came in below our expectation**
- **Despite anticipating better revenue performance in 2HFY23, full year FY23 earnings would still be significantly lower as compared to FY22**

**Slow pace of recovery.** We maintain our **SELL** recommendation with a lower target price of RM0.89 (previously RM0.99) given the slower-than-expected pace of recovery. 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 the lower demand for its products which is keeping the utilisation rate low.

**Utilisation rates surpass 70%.** Globetronics Technology Bhd (GTB's) 3QFY23 normalised earnings came in at RM7.9m. This translated into a decline of -11.8%yoy. However, on a sequential basis, the earnings improved by +223.8%qoq in view of higher volume loadings. For context, 3QFY23 revenue was up by +9.9%qoq to RM34.6m which we believe came from the sensor business. Note that the utilisation rate improved from 66% to 72%.

**Fail to keep pace with our expectation.** On a cumulative basis, 9MFY23 normalised earnings added up to RM13.6m (-50.7%yoy). This was led by lower 9MFY23 revenue of RM99.3m (-27.5%yoy) which primarily stemmed from the sensor products.

All in, we view that GTB's 9MFY23 financial performance came in below our expectation, making up approximately 49.3% of our full year FY23 earnings estimates.

**Setting a more realistic earnings target.** In view of the weak performance in 3QFY23, we are cutting our FY23/FY24/FY25 earnings to RM23.8m/RM30.7m/RM35.7m respectively as we reduced the revenue growth rate especially for the sensor business.

**Recovery trend to spill over to 2024.** We gather from the management that there are new products and/or platforms under development. This could potentially be seen in 2024. Moreover, we understand that there has been more enquiry from China and Taiwan in view of diversification of business operations. Having a wider customer base will help to partially alleviate the concern about low utilisation rates.

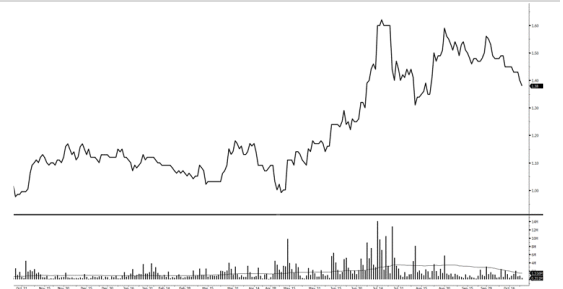
**Maintain SELL**

**Revised Target Price: RM0.89**  
(Previously RM0.99)

### RETURN STATISTICS

Price @ 24 <sup>th</sup> October 2023 (RM)	1.40
Expected share price return (%)	-36.5
Expected dividend yield (%)	+3.2
<b>Expected total return (%)</b>	<b>-33.3</b>

### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-5.4	-4.8
3 months	-10.9	-14.0
12 months	34.8	35.4

### INVESTMENT STATISTICS

FYE Dec	2023E*	2024F	2025F
Revenue	148.8	157.3	163.1
Operating Profit	21.6	28.0	32.5
Profit Before Tax	24.8	32.3	38.0
Core PATAMI	23.8	30.7	35.7
Core EPS	3.6	4.6	5.3
DPS	3.5	4.5	5.3
Dividend Yield	2.5	3.2	3.8

### KEY STATISTICS

FBM KLCI	1,435.65
Issue shares (m)	669.45
Estimated free float (%)	56.9
Market Capitalisation (RM'm)	933.41
52-wk price range	RM0.99-RM1.71
3-mth average daily volume (m)	1.82
3-mth average daily value (RM'm)	2.66
Top Shareholders (%)	
Employees Provident Fund Board	14.79
General Produce Agency Sdn	7.12
Ooi Keng Thye	5.79

**Foo Chuan Loong, Martin**  
martin.foo@midf.com.my

**GLOBETRONICS TECHNOLOGY BHD: 3QFY23 RESULTS SUMMARY**

<i>(All in RM'm unless stated otherwise)</i>	Quarterly Results			Cumulative		
	3Q23	% YoY	% QoQ	9M23	9M22	%YoY
<b>FYE Dec</b>						
Revenue	34.6	-25.2	9.9	99.3	137.0	-27.5
EBITDA	14.7	-26.9	16.8	36.1	54.1	-33.3
Depreciation and amortisation	-3.4	-29.5	-0.8	-10.4	-16.5	-37.1
EBIT	11.3	-26.1	23.3	25.7	37.6	-31.6
Interest income	1.1	88.3	1.3	3.1	1.4	118.9
Associate's contribution	0.0	n.m.	n.m.	-0.3	-0.6	n.m.
PBT	11.3	-25.0	26.8	25.5	37.0	-31.2
Taxation	-1.8	-22.7	-3.6	-5.5	-3.6	55.4
PAT	9.5	-25.4	34.7	19.9	33.4	-40.4
Normalised PAT	7.9	-11.8	223.8	13.6	27.6	-50.7
Normalised EPS (sen)	1.4	-25.4	34.7	3.0	5.0	-40.4
EBITDA margin (%)	42.5	-1.0	2.5	36.4	39.5	-3.1
EBIT margin (%)	32.7	-0.4	3.6	25.9	27.5	-1.5
Normalised PAT margin (%)	27.5	-0.1	5.1	20.1	24.4	-4.3
Effective tax rate (%)	15.7	0.5	-4.9	21.8	9.6	12.1

Source: Company, MIDF

**FINANCIAL SUMMARY**

<b>Income Statement (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
Revenue	206.0	180.1	148.8	157.3	163.1
EBITDA	80.9	71.1	25.4	32.4	37.7
Profit before tax	55.5	51.3	24.8	32.3	38.0
PAT	52.9	45.5	23.8	30.7	35.7
EPS (sen)	7.9	6.8	3.6	4.6	5.3
EPS Growth (%)	4	-14	-48	29	16
PER (x)	17.7	20.6	39.4	30.5	26.3
Dividend Per Share (sen)	7.5	7.0	3.5	4.5	5.3
Dividend yield (%)	5.0	5.0	2.5	3.2	3.8
<b>Balance Sheet (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
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
<b>Non-current assets</b>	<b>98.1</b>	<b>86.7</b>	<b>100.0</b>	<b>115.6</b>	<b>134.4</b>
Cash	195.1	201.5	172.1	151.0	127.2
Trade debtors	32.9	29.1	36.0	38.1	39.5
Others	8.8	9.5	9.5	10.0	10.3
<b>Current assets</b>	<b>236.8</b>	<b>240.1</b>	<b>217.5</b>	<b>199.1</b>	<b>177.1</b>
Trade creditors	33.2	24.9	19.2	19.6	20.2
Short-term debt	0.0	0.0	0.0	0.0	0.0
Others	1.4	1.4	1.4	1.4	0.0
<b>Current liabilities</b>	<b>26.3</b>	<b>20.6</b>	<b>21.0</b>	<b>21.6</b>	<b>0.0</b>
Long-term debt	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Share capital	186.5	186.5	186.5	186.5	186.5
Retained earnings	114.5	114.0	110.4	107.2	103.3
<b>Equity</b>	<b>301.0</b>	<b>300.5</b>	<b>296.9</b>	<b>293.7</b>	<b>289.8</b>

<b>Cash Flow (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
PBT	55.5	51.3	24.8	32.3	38.0
Depreciation & amortisation	27.2	21.8	3.8	4.4	5.2
Changes in working capital	81.4	71.2	26.1	34.1	40.4
<b>Operating cash flow</b>	<b>88.2</b>	<b>61.8</b>	<b>19.8</b>	<b>91.4</b>	<b>105.5</b>
Capital expenditure	-13.5	-15.0	-17.0	-20.0	-24.0
<b>Investing cash flow</b>	<b>-7.1</b>	<b>-9.3</b>	<b>10.5</b>	<b>10.7</b>	<b>9.9</b>
Dividends paid	-50.2	-46.9	-23.5	-30.4	-35.8
<b>Financing cash flow</b>	<b>-50.2</b>	<b>-46.9</b>	<b>-27.4</b>	<b>-33.9</b>	<b>-39.6</b>
<b>Net cash flow</b>	<b>30.9</b>	<b>5.7</b>	<b>2.8</b>	<b>68.2</b>	<b>75.8</b>
<b>Beginning cash flow</b>	<b>163.7</b>	<b>195.1</b>	<b>201.5</b>	<b>204.3</b>	<b>272.5</b>
<b>Ending cash flow</b>	<b>195.1</b>	<b>201.5</b>	<b>204.3</b>	<b>272.5</b>	<b>348.3</b>

<b>Profitability Margins</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
EBIT margin (%)	<b>26</b>	<b>27</b>	<b>15</b>	<b>18</b>	<b>20</b>
PBT margin (%)	<b>27</b>	<b>28</b>	<b>17</b>	<b>21</b>	<b>23</b>
PAT margin (%)	<b>26</b>	<b>25</b>	<b>16</b>	<b>20</b>	<b>22</b>

Source: Company, MIDFR

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#### 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