

Globetronics Technology Berhad

(7022 | GTB MK) Technology | Semiconductors

Observing Gestation Period

KEY INVESTMENT HIGHLIGHTS

- **Maintain SELL** with a revised target price of **RM1.10** post the group's dismal 4QFY23 financial performance
- **Higher valuation** ascribed to coincide with the entry of new key shareholder, **APB Resources**
- **Meanwhile, FY23 normalised earnings contracted by almost half in view of weak demand**
- **We view that it may takes time for APB Resources to successfully turnaround the prospects of the group**

Outlook remains dim for now. We maintain our **SELL** recommendation with a revised target price of RM1.10 (previously RM0.89) despite a lower-than-expected FY23 performance. This is solely achieved by ascribing higher PER valuation multiple of 25.8x to account for the entry of APB resources as one of the group's top shareholders. Nonetheless, we believe that it may take some time for the new shareholder to put the group back on the earnings growth path.

Utilisation rate fell below 70%. Globetronics Technology Bhd (GTB's) 4QFY23 normalised earnings came in at RM8.5m. This translated into a decline of -46.2%yoy. The weak performance was mainly due to lower volume loading especially in the month of December 2023 whereby a two week year end shutdown was also implemented. Note that the factory utilisation rate hovered around 67% to 68%.

Fail to keep pace with our expectation. On a cumulative basis, FY23 normalised earnings added up to RM22.2m (-49.0%yoy). This was led by lower FY23 revenue of RM131.8m (-26.8%yoy) which primarily stemmed from the sensor products. All in, we view that GTB's FY23 financial performance came in below our expectation, making up approximately 93.1% of our full year FY23 earnings estimates.

Inputting lower earnings forecasts. In view of the weak performance in 4QFY23, we are cutting our FY24/FY25 earnings to RM28.5m/RM31.7m respectively as we reduced the revenue contribution especially for the sensor business.

New shareholder to potentially turn around the company. Despite downward revision in earnings forecasts, we are setting a higher **target price of RM1.10** (previously RM0.89) as we attached higher target PER of 25.8x which is +1SD above the five-year mean. The latter takes into account the entry of APB Resources which could potentially improve the outlook of the groups.

No strong signs of recovery yet. We gather from the management that there are new products and/or platforms under development. This could potentially be seen in 2024. Nonetheless, near-term outlook remains subdued with mature products to continue to experience lower volume loadings.

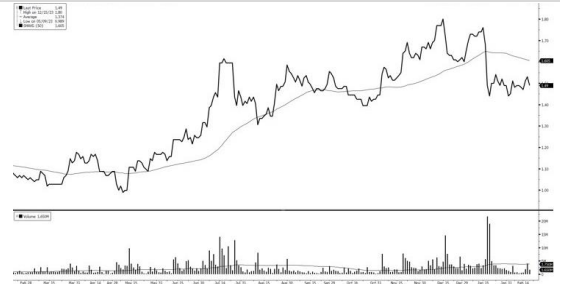
Maintain SELL

Revised Target Price: RM1.10
(Previously RM0.89)

RETURN STATISTICS

Price @ 20 th February 2024 (RM)	1.51
Expected share price return (%)	-27.2
Expected dividend yield (%)	+3.2
Expected total return (%)	-24.0

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.7	-4.1
3 months	-8.0	-14.0
12 months	35.5	29.7

INVESTMENT STATISTICS

FYE Dec	2024E*	2025F	2026F
Revenue	154.4	159.0	163.4
Operating Profit	25.2	28.5	30.7
Profit Before Tax	30.0	33.7	36.3
Core PATAMI	28.5	31.7	33.8
Core EPS	4.2	4.7	5.0
DPS	3.8	4.2	4.5
Dividend Yield	2.5	2.8	3.0

KEY STATISTICS

FBM KLCI	1,555.59
Issue shares (m)	669.45
Estimated free float (%)	62.8
Market Capitalisation (RM'm)	1105.74
52-wk price range	RM0.99-RM1.83
3-mth average daily volume (m)	3.81
3-mth average daily value (RM'm)	6.18
Top Shareholders (%)	
Employees Provident Fund Board	13.44
APB Resources	10.41
Lembaga Tabung Haji	5.36

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GLOBETRONICS TECHNOLOGY BHD: 4QFY23 RESULTS SUMMARY

<i>(All in RM'm unless stated otherwise)</i>	Quarterly Results			Cumulative		
	4Q23	% YoY	% QoQ	FY23	FY22	%YoY
FYE Dec						
Revenue	32.6	-24.4	-6.0	131.8	180.1	-26.8
EBITDA	12.4	-35.5	-15.5	48.5	73.4	-33.9
Depreciation and amortisation	-4.1	-22.5	21.4	-14.5	-21.8	-33.5
EBIT	8.3	-40.4	-26.6	34.0	51.6	-34.0
Finance costs	0.0	n.m.	n.m.	0.0	0.0	n.m.
Interest income	1.5	79.7	35.6	4.7	2.3	104.3
Associate's contribution	0.2	n.m.	n.m.	-0.1	-0.3	n.m.
PBT	8.5	-40.9	-25.2	33.9	51.3	-33.9
Taxation	-1.9	-13.3	9.7	-7.5	-5.8	28.9
PAT	6.5	-46.0	-31.7	26.4	45.5	-41.9
Normalised PAT	8.5	-46.2	8.1	22.2	43.4	-49.0
EPS (sen)	1.0	-46.1	-31.9	3.9	6.8	-42.0
EBITDA margin (%)	38.2	-6.6	-4.3	36.8	40.8	-3.9
EBIT margin (%)	25.5	-6.9	-7.2	25.8	28.6	-2.8
PAT margin (%)	20.0	-8.0	-7.5	20.0	25.3	-5.2
Effective tax rate (%)	23.0	7.3	7.3	22.1	11.3	10.8

Source: Company, MIDF

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	180.1	131.8	154.4	159.0	163.4
EBITDA	71.1	43.9	29.8	33.8	36.8
Profit before tax	51.3	33.9	30.0	33.7	36.3
PAT	45.5	26.4	28.5	31.7	33.8
Normalised PAT	43.4	22.2	28.5	31.7	33.8
EPS (sen)	6.8	3.9	4.2	4.7	5.0
EPS Growth (%)	-14%	-42%	8%	11%	7%
PER (x)	22.2	38.4	35.5	32.0	0.0
Dividend Per Share (sen)	7.0	3.9	3.8	4.2	4.5
Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
Fixed assets	57.6	72.6	80.4	90.6	101.3
Intangible assets	0.0	0.0	0.0	0.0	0.0
Others	29.2	26.5	32.1	37.5	42.8
Non-current assets	86.7	99.1	112.4	128.1	144.1
Cash	201.5	210.1	164.7	140.3	118.0
Trade debtors	29.1	20.5	37.4	38.5	39.6
Others	9.5	6.3	9.6	9.9	10.1
Current assets	240.1	237.0	211.7	188.7	167.7
Trade creditors	24.9	26.1	19.5	20.2	20.9
Short-term debt	0.0	0.0	0.0	0.0	0.0
Others	1.4	1.8	1.8	1.8	1.8
Current liabilities	26.3	27.9	21.4	22.0	22.7
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	190.3	190.3	190.3	190.3
Retained earnings	108.3	111.3	105.9	98.0	92.2
Equity	300.5	308.1	302.8	294.9	289.1

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	51.3	33.9	30.0	33.7	36.3
Depreciation & amortisation	21.8	14.5	4.6	5.3	6.1
Interest income	-2.7	-5.6	-5.0	-5.3	-5.7
Others	0.8	-0.4	0.0	0.0	0.0
OP/(L) before changes in WC	71.2	42.5	29.7	33.7	36.7
Changes in WC	-8.1	15.1	-26.7	-0.8	-0.6
Tax	-5.5	-6.9	-1.5	-2.0	-2.5
Operating cash flow	61.8	19.8	91.4	105.5	106.5
Capital expenditure	-15.0	-30.1	-18.0	-21.0	-22.0
Others	5.7	40.6	28.7	30.9	32.9
Investing cash flow	-9.3	10.5	10.7	9.9	10.9
Dividends paid	-46.9	-26.1	-25.7	-28.5	-30.4
Others	0.0	-1.3	-8.2	-11.1	-8.2
Financing cash flow	-46.9	-27.4	-33.9	-39.6	-38.6
Net cash flow	5.7	2.8	68.2	75.8	78.8
Beginning cash flow	195.1	201.5	204.9	273.1	348.9
Ending cash flow	201.5	204.9	273.1	348.9	427.7

Profitability Margins	2022A	2023A	2024E	2025F	2026F
EBIT margin (%)	27	22	16	18	19
PBT margin (%)	28	26	19	21	22
PAT margin (%)	25	20	18	20	21

Source: Company, 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