

Globetronics Technology Berhad

(7022 | GTB MK) Technology | Semiconductors

Expect Better Earnings Recovery in the Second Half

KEY INVESTMENT HIGHLIGHTS

- **Upgrade to NEUTRAL with an unchanged target price of RM1.10 post the group's 1QFY24 financial performance**
- **1QFY24 earnings of RM3.9m is in-line with our expectations**
- **While there could be near-term weakness in earnings performance, 2HFY24 should performed much better**
- **This is in anticipation of materialisation of customer and product diversification efforts**

Subdued earnings performance. We are upgrading our recommendation for Globetronics to **NEUTRAL** (previously SELL) with an unchanged **target price of RM 1.10**. This follows the announcement on 1QFY24 financial performance which is in-line with our expectations. Note that the share price has declined by -24.4% on a year-to-date basis, in tandem with our previous SELL recommendation. At the current price level, coupled with our expectation of a better 2HFY24 performance, we foresee limited downside risk.

Supported by higher interest income. Globetronics Technology Bhd (GTB's) 1QFY24 normalised earnings came in at RM3.9m. This translates into an improvement of +17.1%yoy. This was mainly attributable to higher interest income which surged by +42.0%yoy to RM0.4m as well as lower cost of sales which reduced by -18.1%yoy to RM17.8m.

Meanwhile, 1QFY24 revenue remains weak at RM29.9m, a decline of -9.7%yoy in view of lower volume loadings from the group's certain customers. In this respect, the utilization rate remains below the 70% mark at around 67% to 68%. Note that the sensor segment remains the largest revenue contributor at 61%, followed by SLL/LED components (22%) and ICs (17%).

In-line with our expectation. All in, we view that GTB's 1QFY24 financial performance is in line with our expectation, though it only makes up 13.8% of our full year FY23 earnings estimates. Historically, the first quarter results are usually weaker. Moreover, we expect better performance in 2HFY24.

No strong signs of recovery yet. In the near term, management hinted that the volume loadings for the group's main business segment, i.e. sensor business, remain weak. However, this should pick up in 2HFY24 in view of new customer/products development as the group is set to benefit from "China +1" and "Taiwan + 1" strategy.

Upgrade to NEUTRAL

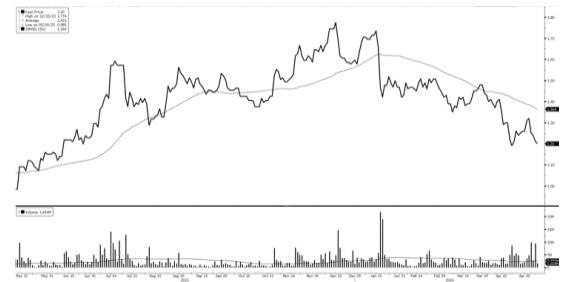
(Previously SELL)

Unchanged Target Price: RM1.10

RETURN STATISTICS

Price @ 9 th May 2024 (RM)	1.21
Expected share price return (%)	-9.1
Expected dividend yield (%)	+3.2
Expected total return (%)	-5.9

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-14.3	-17.1
3 months	-18.9	-23.7
12 months	20.9	7.8


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	3.2	3.5	3.7

KEY STATISTICS

FBM KLCI	1,601.22
Issue shares (m)	672.61
Estimated free float (%)	57.6
Market Capitalisation (RM'm)	810.1
52-wk price range	RM0.98-RM1.81
3-mth average daily volume (m)	2.72
3-mth average daily value (RM'm)	3.70
Top Shareholders (%)	
Employees Provident Fund Board	12.49
Ooi Keng Thye	11.39
APB Resources	10.37

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Earnings estimates and target price intact. As 1QFY24 earnings performance kept pace with our expectations, we made no changes to our earnings estimates at this juncture. Our target price is also intact at **RM1.10**. In anticipation of stronger 2HFY24 performance, we foresee limited downside risk moving forward. In view of this, we believe that a **NEUTRAL** designation (previously SELL) would best fit the stock recommendation. 

LOBETRONICS TECHNOLOGY BHD: 1QFY24 RESULTS SUMMARY

FYE 31 st Dec (All in RM'm unless stated otherwise)	1QFY24	1QFY23	% YoY	4QFY23	% QoQ
Revenue	29.9	33.1	-9.7	32.6	-8.1
EBITDA	10.9	8.8	24.1	12.4	-12.5
Depreciation and amortisation	-3.0	-3.5	-14.0	-4.1	-26.7
EBIT	7.8	5.2	49.7	8.3	-5.5
Finance costs	0.0	0.0	n.m.	0.0	n.m.
Interest income	1.3	0.9	42.0	1.5	-16.9
Associate's contribution	0.0	0.0	n.m.	0.2	n.m.
PBT	7.8	5.2	49.8	8.5	-7.4
Taxation	-2.1	-1.9	9.2	-1.9	8.1
PAT	5.7	3.3	73.4	6.5	-12.0
Normalised PAT	3.9	3.4	17.1	8.5	-53.6
EPS (sen)	0.8	0.5	71.9	1.0	-12.6
EBITDA margin (%)	36.4	26.5	9.9	38.2	-1.8
EBIT margin (%)	26.2	15.8	10.4	25.5	0.7
PAT margin (%)	19.1	10.0	9.2	20.0	-0.8
Effective tax rate (%)	26.9	36.9	-10.0	23.0	3.9

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	3.3	4.2	4.7	5.0
EPS Growth (%)	-14%	-51%	29%	11%	7%
PER (x)	17.8	36.6	28.5	25.6	24.0
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