

## Globetronics Technology Berhad

(7022 | GTB MK) Technology | Semiconductors

### Challenging Outlook to Persist

#### KEY INVESTMENT HIGHLIGHTS

- **Maintain NEUTRAL with a slight revision to target price, to RM1.09, post the group's 2QFY24 financial performance**
- **Slight improvement in 2QFY24 leading to weak 1HFY24 earnings recovery of RM8.3m which came in below our expectation**
- **Future volume loading remains a concern as any improvement in revenue outlook may only be observed earliest by 4QFY24**
- **Weak earnings outlook to translate to lower dividend yield of less than two percent in the near-term**

**Lack of rerating catalyst.** We are maintaining our **NEUTRAL** recommendation for Globetronics with a slight revision in the target price to RM1.09 from RM1.10 previously. Our main concern lies on the group's weak volume loadings as seen in the 1HFY24 financial performance. We understand that the group is actively engaging with a few potential customers to secure new business. However, at best, we opine that we may also see some traction towards the end of the year.

Nonetheless, the group has been able to sustain the profit margin at the current level. On another note, given the weak performance, we also expect future dividend to come in lower as compared to FY23 which translate to a dividend yield of lower than two percent.

**Volume loadings remain weak.** Globetronics's 2QFY24 normalised earnings came in at RM4.4m, an improvement of +41.4%yoy and +10.7%qoq. To recall, in the previous year's corresponding period, the group's performance was boosted mainly by the forex gain. This was reflected in the higher 1HYFY23 revenue of RM64.6m as opposed to revenue recorded for 1HFY24 of RM57.5m (-10.8%yoy).

**Fail to meet our expectations.** On a cumulative basis, 1HFY24 normalised earnings was up by +28.7%yoy to RM8.3m in view of better profit margin of 17.3% as compared to 16.1% achieved for 1HFY23. Geographically, there was lower revenue contribution emanating from both the Southeast Asian and North America region at -11.0%yoy and -15.8%yoy respectively.

However, the pace of recovery seen in 1HFY24 came in below our expectation, making up only 29.1%yoy of our full year FY24 earnings estimates.

**Weaker earnings prospect.** Premised on the weak volume loadings thus far, we are reducing FY24 to FY26 earnings estimates lower by -8.4% to -10.5%.

Consequently, our **target price** has been revised marginally lower to **RM1.09** (previously RM1.10). This is achieved by pegging FY25 EPS of 4.2sen against unchanged target PER of 25.8x as we roll forward our valuation base year to FY25.



**Maintain NEUTRAL**

**Revised Target Price: RM1.09**  
(Previously RM1.10)

#### RETURN STATISTICS

Price @ 23 <sup>rd</sup> August 2024 (RM)	1.12
Expected share price return (%)	-2.7
Expected dividend yield (%)	+1.9
<b>Expected total return (%)</b>	<b>-0.8</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-15.9	-16.2
3 months	-25.0	-14.3
12 months	-25.5	-34.4

#### INVESTMENT STATISTICS

FYE Dec	2024E*	2025F	2026F
Revenue	128.3	131.1	134.3
Operating Profit	22.4	25.0	27.7
Profit Before Tax	27.2	30.2	33.3
Core PATAMI	25.9	28.4	31.0
Core EPS	3.9	4.2	4.6
DPS	1.9	2.1	2.3
Dividend Yield	1.7	1.9	2.1

#### KEY STATISTICS

FBM KLCI	1,635.74
Issue shares (m)	672.61
Estimated free float (%)	61.90
Market Capitalisation (RM'm)	749.68
52-wk price range	RM1.08 - RM1.81
3-mth average daily volume (m)	4.30
3-mth average daily value (RM'm)	6.03
Top Shareholders (%)	
Ooi Keng Thye	11.39
APB Resources Bhd	10.36
Employees Provident Fund Board	8.19

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**GLOBETRONICS TECHNOLOGY BHD: 2QFY24 RESULTS SUMMARY**

FYE31st Dec (All in RM'm unless stated otherwise)	Quarterly Results			Cumulative		
	2Q24	% YoY	% QoQ	FY24	FY23	%YoY
Revenue	27.8	-11.9	-7.2	57.7	64.6	-10.8
EBITDA	8.3	-28.0	-13.9	17.9	19.4	-7.6
Depreciation and amortisation	-2.9	-14.3	-2.9	-6.0	-7.0	-14.1
EBIT	5.3	-33.8	-19.0	11.9	12.4	-4.0
Finance costs		n.m.	n.m.			n.m.
Interest income	1.1	-2.0	-14.1	2.4	2.0	17.6
Associate's contribution	0.1	n.m.	n.m.	0.0	-0.3	n.m.
PBT	6.5	-27.2	-17.1	14.3	14.1	1.2
Taxation	-2.2	20.5	5.5	-4.3	-3.8	14.8
PAT	4.3	-39.6	-25.4	10.0	10.4	-3.7
Normalised PAT	4.4	41.4	10.7	8.3	6.4	28.7
EPS (sen)	0.6	-40.2	-25.4	1.5	1.6	-4.5
EBITDA margin (%)	29.8	-6.7	-2.3	31.0	30.0	1.1
EBIT margin (%)	19.2	-6.4	-2.8	20.7	19.2	1.5
PAT margin (%)	15.4	-7.1	-3.7	17.3	16.1	1.3
Effective tax rate (%)	34.2	13.5	7.3	30.2	26.6	3.6

Source: Company, MIDF

**FINANCIAL SUMMARY**

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	180.1	131.8	128.3	131.1	134.3
EBITDA	71.1	43.9	35.0	38.2	41.6
Profit before tax	51.3	33.9	27.2	30.2	33.3
PAT	45.5	26.4	25.9	28.4	31.0
Normalised PAT	43.4	22.2	25.9	28.4	31.0
EPS (sen)	6.8	3.3	3.9	4.2	4.6
EPS Growth (%)	-14%	-51%	17%	10%	9%
PER (x)	16.5	33.9	29.1	26.5	24.3
Dividend Per Share (sen)	7.0	2.5	1.9	2.1	2.3
Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
Fixed assets	57.6	72.6	72.3	74.7	77.5
Intangible assets	0.0	0.0	0.0	0.0	0.0
Others	29.2	26.5	32.1	37.5	42.8
<b>Non-current assets</b>	<b>86.7</b>	<b>99.1</b>	<b>104.4</b>	<b>112.2</b>	<b>120.3</b>
Cash	201.5	210.1	177.4	158.2	141.1
Trade debtors	29.1	20.5	31.1	31.8	32.5
Others	9.5	6.3	8.0	8.2	8.4
<b>Current assets</b>	<b>240.1</b>	<b>237.0</b>	<b>216.5</b>	<b>198.1</b>	<b>182.0</b>
Trade creditors	24.9	26.1	18.9	19.5	20.1
Short-term debt	0.0	0.0	0.0	0.0	0.0
Others	1.4	1.8	1.8	1.8	1.8
<b>Current liabilities</b>	<b>26.3</b>	<b>27.9</b>	<b>20.7</b>	<b>21.3</b>	<b>22.0</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	190.3	190.3	190.3	190.3
Retained earnings	108.3	111.3	103.3	92.1	83.5
<b>Equity</b>	<b>300.5</b>	<b>308.1</b>	<b>300.1</b>	<b>288.9</b>	<b>280.3</b>

<b>Cash Flow (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
PBT	51.3	33.9	27.2	30.2	33.3
Depreciation & amortisation	21.8	14.5	12.7	13.2	13.9
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	34.9	38.1	41.5
Changes in WC	-8.1	15.1	-19.4	-0.3	-0.3
Tax	-5.5	-6.9	-1.4	-1.8	-2.3
<b>Operating cash flow</b>	<b>61.8</b>	<b>19.8</b>	<b>91.4</b>	<b>105.5</b>	<b>106.5</b>
Capital expenditure	-15.0	-30.1	-18.0	-21.0	-22.0
Others	5.7	40.6	28.7	30.9	32.9
<b>Investing cash flow</b>	<b>-9.3</b>	<b>10.5</b>	<b>10.7</b>	<b>9.9</b>	<b>10.9</b>
Dividends paid	-46.9	-16.8	-12.9	-14.2	-15.5
Others	0.0	-10.6	-20.9	-25.4	-23.1
<b>Financing cash flow</b>	<b>-46.9</b>	<b>-27.4</b>	<b>-33.9</b>	<b>-39.6</b>	<b>-38.6</b>
<b>Net cash flow</b>	<b>5.7</b>	<b>2.8</b>	<b>68.2</b>	<b>75.8</b>	<b>78.8</b>
<b>Beginning cash flow</b>	<b>195.1</b>	<b>201.5</b>	<b>204.9</b>	<b>273.1</b>	<b>348.9</b>
<b>Ending cash flow</b>	<b>201.5</b>	<b>204.9</b>	<b>273.1</b>	<b>348.9</b>	<b>427.7</b>

<b>Profitability Margins</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
EBIT margin (%)	<b>27%</b>	<b>22%</b>	<b>17%</b>	<b>19%</b>	<b>21%</b>
PBT margin (%)	<b>28%</b>	<b>26%</b>	<b>21%</b>	<b>23%</b>	<b>25%</b>
PAT margin (%)	<b>25%</b>	<b>20%</b>	<b>20%</b>	<b>22%</b>	<b>23%</b>

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