

Aurelius Technologies Berhad

“Still growing strong”

Bloomberg: ATECH MK | Reuters: AURE.KL | Stock Code: 5302

Main Board
Industrial Products
BUY
TP: RM2.22
Last Closing Price: RM1.71

Valuation / Recommendation

We initiate coverage on Aurelius Technologies Berhad with a BUY recommendation with a TP of RM2.22 based on FY24F EPS of 11.9 sen and a PE of 18.7x, in line with the 5-years average of its EMS peers. We like the stock for its attractive expansion plans, customer portfolio diversification from a high-mix-low-volume to medium-mix-medium-volume business, and solid track record. The target price represents a potential return of 29.8% from the current price.

Investment Highlights

One-stop integrated EMS provider. Aurelius is a one-stop integrated electronic manufacturing service (EMS) provider, capable of offering an end-to-end EMS solution from concept to high volume board assembly up to finished products. The company is able to provide services which requires a high technical know-how such as performing complex integrated RF testing, carrying out high melting point and gold soldering for PCBA. With the completion of its 61,909 sq ft plant 3, the company now has a total manufacturing floor space of 132,821 sq ft, increasing its capacity to cater for more orders from its existing and pipeline of new customers.

Additional SMT lines to support growth. In March 2022, the company commenced production for its newly acquired Customer F involved in the multicomponent IC (MCIC) business, after completing the installation of 4 fully automated SMT lines in its existing plant 2. The company plans to dedicate at least 8 SMT lines to cater for more orders from this customer, where the remainder 4 lines is expected to be fully installed within 4Q23 and 1Q24. With 8 SMT lines dedicated for this customer, this will increase its production capacity and profitability. We expect a full year revenue recognition on the 8 SMT lines in FY24, and we do not forgo any potential land acquisition moving forward to increase capacity and cater for more orders from its existing and pipeline of new customers. We think that margins for this customer will be relatively higher with the consignment of raw materials.

Investment into technology. The company plans to upgrade its manufacturing facilities towards Industry 4.0 which involves the automation of its production lines and automated material handling for its EMS business operations. This would increase the company's productivity and control its labour cost going forward.

Solid order book and track record. The company has an order book of approximately RM504m, expected to be fully recognized by March 2024. Aurelius is headed by CEO Loh Hock Chiang who has more than 28 years of experience in the EMS industry. Collectively, the management team has an average industry experience of 29 years, supported by a long-serving technical team to spearhead the business going forward. Main Stream Holdings shareholders appears to be committed with the appointment of Ms Jamie Lee Hwe Ping, daughter of deceased founder Mr Lee Chong Yeow, as the non-independent non-executive director and Jonathan Lee Ming Chian as the alternative of Ms Jamie Lee.

Risk factors. (1.) Failure to secure orders from customers (2.) Raw material shortages arising from supply chain disruptions.

| INVESTMENT STATISTICS | FY20 | FY21 | FY22 | FY23F | FY24F |
|-----------------------|----------|----------|----------|----------|----------|
| Revenue (RM m) | 389.3 | 362.2 | 367.4 | 415.8 | 477.9 |
| EBITDA (RM m) | 39.5 | 26.5 | 35.4 | 49.1 | 62.4 |
| PATMI | 23.6 | 15.1 | 22.0 | 34.4 | 42.5 |
| EPS (sen) | 6.6 | 4.2 | 6.2 | 9.6 | 11.9 |
| EPS Growth (%) | 123.9 | -36.0 | 46.0 | 56.3 | 23.5 |
| Dividend Yield (%) | - | - | - | 1.1 | 1.4 |
| BV Per Share (sen) | 20.2 | 23.5 | 56.2 | 74.7 | 84.2 |
| PE (x) | 26.3 | 41.1 | 28.1 | 18.0 | 14.6 |
| Net Gearing (%) | Net Debt | Net Debt | Net Debt | Net Debt | Net Debt |
| ROA (%) | 9.5 | 5.4 | 5.4 | 7.6 | 8.7 |
| ROE (%) | 32.6 | 18.0 | 10.9 | 12.9 | 14.1 |

Sources: Mercury Securities, Company

Business Overview

Aurelius Technologies Berhad operates as a holding company. The Company, through its subsidiaries, focuses on industrial electronic products such as manufacturing of semiconductor components.

Stock Return Information

| | |
|-----------------------------|----------|
| KLCI (pts) | 1,504.01 |
| Expected Share Return (%) | 29.8 |
| Expected Dividend Yield (%) | 1.4 |
| Expected Total Return (%) | 31.2 |

Share Information

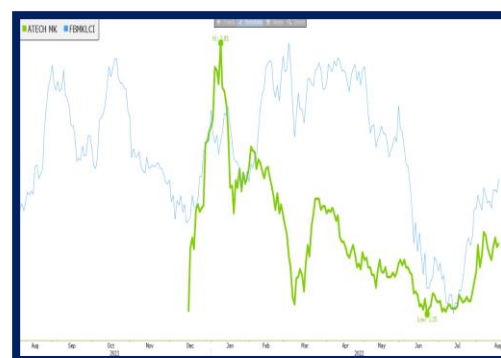
| | |
|--------------------------|-------|
| Market Cap (RM m) | 619.7 |
| Issued Shares (m) | 358.2 |
| 52W High (RM) | 2.88 |
| 52W Low (RM) | 1.33 |
| Estimated Free Float (%) | 29.0 |
| Beta vs FBM KLCI | - |
| 3-month Average Vol. (m) | 11.6 |

Top 3 Shareholders (%)

| | |
|--------------------------------|-------|
| Main Stream Holdings Sdn Bhd | 71.00 |
| Etiqa Life Insurance Berhad | 3.95 |
| Employees Providend Fund Board | 3.01 |

Price Performance

| | 1M | 3M | 12M |
|-----------------------|------|------|-------|
| Absolute (%) | 16.0 | 19.5 | -26.7 |
| Relative to Index (%) | 3.4 | -7.1 | - |



Source: Bloomberg

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| RESULTS (RM m) FYE | 1Q23 | 4Q22 | qoq % | 1Q22 | yoy % | Comments |
|------------------------------|-------|-------|-------|------|-------|----------|
| Jan | | | | | | |
| Revenue | 100.7 | 106.6 | -5.5 | - | - | |
| Cost of sales | 93.2 | 96.1 | -3.0 | - | - | |
| Gross profit | 7.5 | 10.5 | -28.6 | - | - | |
| Other operating income | 0.2 | 0.1 | 100.0 | - | - | |
| Operating expenses | 2.7 | 5.0 | -46.0 | - | - | |
| Profit from operations | 5.0 | 5.6 | -10.7 | - | - | |
| Finance cost | 0.6 | 1.1 | -45.5 | - | - | |
| Pretax profit | 4.4 | 4.5 | -2.2 | - | - | |
| Tax | 0.6 | 0.6 | - | - | - | |
| Profit after tax | 5.0 | 5.1 | -2.0 | - | - | |
| Minority interest | - | - | - | - | - | |
| PATMI | 5.0 | 5.1 | -2.0 | - | - | |
| Extraordinary losses (gains) | - | - | - | - | - | |
| Core net profit | 5.0 | 5.1 | -2.0 | - | - | |
| EPS (sen) | 1.4 | 1.4 | - | - | - | |
| Core EPS (sen) | 1.4 | 1.4 | - | - | - | |

Sources: Mercury Securities, Company

Peers Comparison

| Company | Bloomberg Ticker | Share Price (MYR) | Market Cap (MYR'm) | 5-Year Historical Avg PE (x) | EPS (sen) | | EPS Growth | | P/BV (x) | |
|----------------|------------------|-------------------|--------------------|------------------------------|-----------|-------|------------|-------|----------|-------|
| | | | | | FY22F | FY23F | FY22F | FY23F | FY22F | FY23F |
| SKP Resources | SKP MK | 1.62 | 2,531.0 | 18.3 | 12.0 | 14.0 | 9.1% | 16.7% | 2.8 | 2.5 |
| PIE Industrial | PIE MK | 3.28 | 1,259.7 | 17.3 | 23.0 | 25.0 | 31.3% | 8.7% | 2.2 | 1.9 |
| V.S. Industry | VSI MK | 0.99 | 3,790.8 | 20.4 | 5.00 | 7.00 | -28.6% | 40.0% | 1.7 | 1.6 |
| Average | | | | 18.7 | | | | | | |

Sources: Mercury Securities, Bloomberg



| PROFIT & LOSS (RM m) FYE Jan | FY20A | FY21A | FY22A | FY23F | FY24F |
|---|--------------|--------------|--------------|--------------|--------------|
| Net Revenue | 389.3 | 362.2 | 367.4 | 415.8 | 477.9 |
| Gross Profit | 46.2 | 30.1 | 40.7 | 52.7 | 63.4 |
| Other Operating Income | 0.3 | 1.2 | 0.3 | 0.4 | 0.4 |
| EBIT | 36.4 | 22.6 | 29.8 | 41.2 | 51.2 |
| Administrative Expenses | 9.7 | 9.1 | 11.0 | 11.7 | 12.4 |
| Selling & Distribution Expenses | 0.4 | 0.2 | 0.2 | 0.2 | 0.2 |
| Other Operating Expenses | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Profit from operations | 36.4 | 22.0 | 29.8 | 41.2 | 51.2 |
| Interest Income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest Expense | 4.0 | 4.1 | 3.9 | 3.4 | 3.4 |
| Profit Before Tax | 32.4 | 17.8 | 25.9 | 37.9 | 47.8 |
| Exceptional Items | - | - | - | - | - |
| Taxation | 8.8 | 2.7 | 3.9 | 3.4 | 5.3 |
| Minority Interests | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Profit After Tax (PATMI) | 23.6 | 15.1 | 22.0 | 34.4 | 42.5 |
| Preferred Dividends / Adjustments | - | - | - | - | - |
| Recurring Net Profit | 23.6 | 15.1 | 22.0 | 34.4 | 42.5 |
| BALANCE SHEET (RM m) FYE Jan | FY20A | FY21A | FY22A | FY23F | FY24F |
| Cash & Equivalents | 27.4 | 17.1 | 34.6 | 62.2 | 96.2 |
| Trade & Other Receivables | 95.5 | 102.6 | 93.1 | 97.9 | 108.5 |
| Inventories | 64.4 | 72.5 | 133.5 | 113.7 | 100.4 |
| Other Current Assets | 14.9 | 33.1 | 66.2 | 63.2 | 61.2 |
| Current Assets | 202.2 | 225.4 | 327.4 | 337.0 | 366.3 |
| Property, Plant & Equipment | 47.2 | 56.2 | 84.0 | 116.1 | 124.9 |
| Non-Current Assets | 47.2 | 56.2 | 84.0 | 116.1 | 124.9 |
| Trade & Other Payables | 43.3 | 55.9 | 87.7 | 70.1 | 74.1 |
| Short-Term Borrowings | 87.9 | 110.2 | 98.5 | 93.5 | 91.7 |
| Other Current Liabilities | 2.8 | 0.2 | 0.1 | 0.0 | 0.0 |
| Current Liabilities | 134.0 | 166.3 | 186.2 | 163.7 | 165.8 |
| Long-Term Borrowings | 39.8 | 26.1 | 15.9 | 18.4 | 20.9 |
| Other Non-Current Liabilities | 3.3 | 5.1 | 7.9 | 3.6 | 3.0 |
| Non-Current Liabilities | 43.1 | 31.2 | 23.7 | 22.0 | 23.9 |
| Share Capital | 45.9 | 45.9 | 182.9 | 182.9 | 182.9 |
| Retained Profits | 20.9 | 31.6 | 50.6 | 78.1 | 112.2 |
| Other Equity | 5.6 | 6.6 | -32.1 | 6.4 | 6.4 |
| Total Equity | 72.3 | 84.1 | 201.4 | 267.5 | 301.5 |
| CASH FLOW (RM m) FYE Jan | FY20A | FY21A | FY22A | FY23F | FY24F |
| Profit before tax (PBT) | 32.4 | 17.8 | 25.9 | 37.9 | 47.8 |
| Depreciation | 3.1 | 4.5 | 5.6 | 7.9 | 11.2 |
| Interest expense | 4.0 | 4.1 | 3.7 | 3.4 | 3.4 |
| Interest income | -0.2 | -0.2 | -0.3 | -0.3 | -0.3 |
| Other operating cash flow | 0.3 | 0.5 | 0.7 | -0.1 | 0.0 |
| Operating profit before change in working capital | 39.6 | 26.8 | 35.7 | 48.8 | 62.1 |
| Change in working capital | -9.8 | -18.4 | -18.0 | -0.6 | 8.7 |
| Cash flow from operating activities | 29.8 | 8.4 | 17.6 | 48.2 | 70.8 |
| Interest received | 0.2 | 0.1 | 0.2 | 0.2 | 0.2 |
| Other investing cash flow | -2.6 | -3.2 | -1.4 | -1.4 | -1.4 |
| Purchase of PPE | -3.0 | -11.4 | -33.4 | -40.0 | -20.0 |
| Cash flow from investing activities | -5.4 | -14.5 | -34.6 | -41.2 | -21.2 |
| Dividends paid | -38.6 | -4.9 | -0.6 | -6.9 | -8.5 |
| Proceeds from issuance of shares | 0.0 | 0.0 | 98.6 | 0.0 | 0.0 |
| Other financing cash flow | 36.2 | 8.9 | -22.1 | 6.7 | 10.8 |
| Cash flow from financing activities | -2.4 | 4.0 | 76.0 | -0.2 | 2.2 |

Sources: Mercury Securities, Company

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|-------------|---|
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