



Aurelius Technologies Berhad

“Growing stronger than ever”

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

Valuation / Recommendation

Results were within expectations, achieving 83.0% and 70.8% of our full year revenue and profit forecasts for FY23 respectively, supported by the ramping up of operations in plant 3, enabling the Group to increase overall production volume and revenue across all business segments.

We revise our FY24F revenue and earnings upward by 12.1% and 25.6% on the back of higher contributions from its existing and pipeline of new customers as a result of ramping up of operations across its existing factories going forward. We maintain a BUY recommendation on Aurelius with a revised TP of RM2.68 based on FY24F EPS 14.9 sen and a PE of 18x in line with its peer's 5-year historical average. 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.

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. As of 31st August 2022, 5 fully automated SMT lines have been commissioned for this customer in its existing plant 2. Our estimates assume 2H23 to be stronger on the back of higher contributions from customer F, bolstered by increased order uptake with the 5th SMT line fully installed and running at full steam. The company plans to dedicate at least 8 SMT lines to cater for more orders from this customer, where the remainder 3 lines is expected to be fully installed within 4Q23 and 1Q24. With at least 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. 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 allow better control on its labour cost going forward.

Solid order book and track record. The company has an order book of more than RM400m, 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. The company has recently appointed 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 factor. (1.) Failure to secure orders from customers (2.) Raw material shortages arising from supply chain disruptions.

Sources: Mercury Securities, Company

Main Board

Industrial Products

BUY

TP: RM2.68

Last Closing Price: RM1.93

Initiated Price: RM1.71

RESULTS (RM m)	3Q22	2Q22	qoq %	3Q21	yoy %
FY Jan					
Revenue	132.5	111.9	18.4	85.2	55.5
COGS	114.7	99.6	15.2	76.1	50.7
Gross Profit	17.9	12.3	45.5	9.2	94.6
Other Income	0.5	0.3	66.7	0.1	400.0
Selling & Distribution Expenses	0.9	0.9	-	-	-
Admin Expenses	3.6	3.2	12.5	1.8	100.0
Operating Profit	14.6	9.3	57.0	7.3	100.0
Finance Income	-	-	-	-	-
Finance Costs	1.2	0.9	33.3	0.9	-
Profit Before Tax	13.5	8.4	60.7	6.4	110.9
Tax Expense	1.2	1.3	-7.7	0.8	50.0
Net profit	12.3	7.0	75.7	5.6	119.6
Core net profit	12.3	7.0	75.7	5.6	119.6
EPS (sen)	3.4	1.9	78.9	-	-
Core EPS (sen)	3.4	1.9	78.9	-	-

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)	1,474.69
Expected Share Return (%)	38.9
Expected Dividend Yield (%)	1.7
Expected Total Return (%)	40.5

Price Performance

	1M	3M	12M
Absolute (%)	7.2	2.1	-
Relative to Index (%)	7.4	-3.1	-

Share Information

Market Cap (RM m)	691.3
Issued Shares (m)	358.2
52W High (RM)	2.88
52W Low (RM)	1.33
Estimated Free Float (%)	49.0
Beta vs FBM KLCI	-
3-month Average Vol. (m)	22.3

Top 3 Shareholders (%)

Main Stream Holdings Sdn Bhd	22.1
Main Stream Ltd	21.3
Loh Hock Chiang	8.5

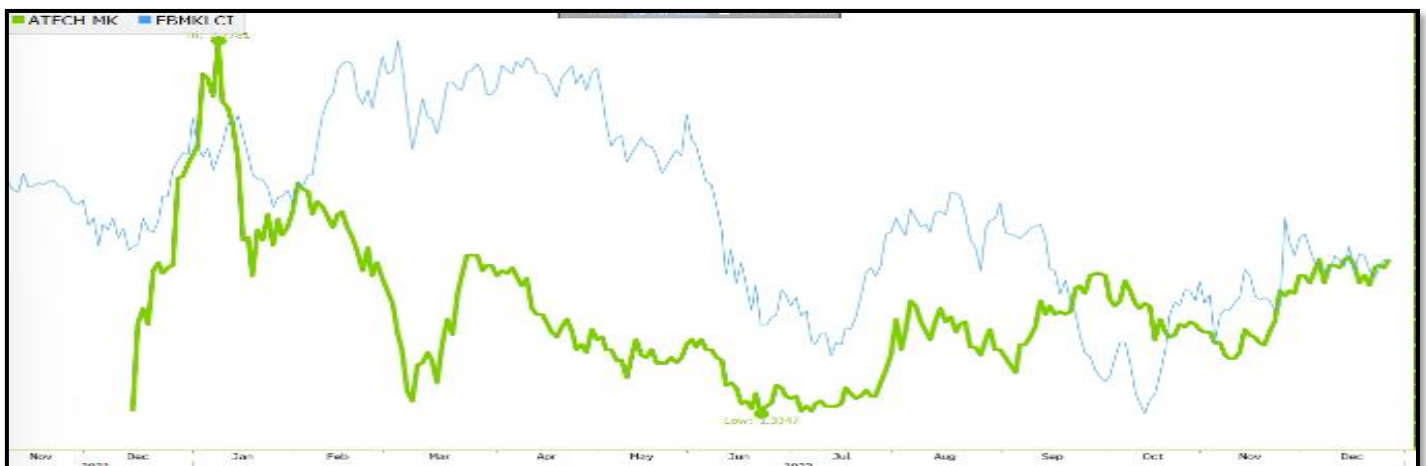
Sources: Mercury Securities, Company, Bloomberg

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INVESTMENT STATISTICS	FY20	FY21	FY22	FY23F	FY24F
Revenue (RM m)	389.3	362.2	367.4	415.8	535.7
EBITDA (RM m)	39.5	26.5	35.4	49.1	75.2
PATMI	23.6	15.1	22.0	34.4	53.4
PAT Margin (%)	6.1	4.2	6.0	8.3	10.0
EPS (sen)	6.6	4.2	6.2	9.6	14.9
EPS Growth (%)	123.9	-36.0	46.0	56.3	55.1
Dividend Yield (%)	-	-	-	1.1	1.7
BV Per Share (sen)	20.2	23.5	56.2	74.7	86.6
PE (x)	29.3	45.8	31.4	20.1	12.9
Net Gearing (%)	Net Debt	Net Debt	Net Debt	Net Debt	Net Debt
ROA (%)	9.5	5.4	5.4	7.6	9.8
ROE (%)	32.6	18.0	10.9	12.9	17.2



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)	
					FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
SKP Resources	SKP MK	1.62	2,531.0	18.7	11.5	13.3	3.6%	15.7%	2.9	2.6
PIE Industrial	PIE MK	2.62	1,006.2	17.3	18.0	20.5	12.5%	13.9%	1.7	1.6
V.S. Industry	VSI MK	0.9	3,454.0	20.4	6.00	7.00	50.0%	16.7%	1.4	1.3
Average				18.8						

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	535.7
Gross Profit	46.2	30.1	40.7	52.7	78.0
Other Operating Income	0.3	1.2	0.3	0.4	0.5
EBIT	36.4	22.0	29.8	41.2	64.0
Administrative Expenses	9.7	9.1	11.0	11.7	14.2
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	64.0
Interest Income	0.0	0.0	0.0	0.0	0.0
Interest Expense	4.0	4.1	3.9	3.4	4.0
Profit Before Tax	32.4	17.8	25.9	37.9	60.0
Exceptional Items	-	-	-	-	-
Taxation	8.8	2.7	3.9	3.4	6.6
Minority Interests	0.0	0.0	0.0	0.0	0.0
Profit After Tax (PATMI)	23.6	15.1	22.0	34.4	53.4
Preferred Dividends / Adjustments	-	-	-	-	-
Recurring Net Profit	23.6	15.1	22.0	34.4	53.4
BALANCE SHEET (RM m) FYE Jan	FY20A	FY21A	FY22A	FY23F	FY24F
Cash & Equivalents	27.4	17.1	34.6	62.2	104.9
Trade & Other Receivables	95.5	102.6	93.1	97.9	133.5
Inventories	64.4	72.5	133.5	113.7	122.7
Other Current Assets	14.9	33.1	66.2	63.2	59.7
Current Assets	202.2	225.4	327.4	337.0	420.8
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	97.5
Short-Term Borrowings	87.9	110.2	98.5	93.5	112.3
Other Current Liabilities	2.8	0.2	0.1	0.0	0.0
Current Liabilities	134.0	166.3	186.2	163.7	209.8
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	120.9
Other Equity	5.6	6.6	-32.1	6.4	6.4
Total Equity	72.3	84.1	201.4	267.5	310.2
CASH FLOW (RM m) FYE Jan	FY20A	FY21A	FY22A	FY23F	FY24F
Profit before tax (PBT)	32.4	17.8	25.9	37.9	60.0
Depreciation	3.1	4.5	5.6	7.9	11.2
Interest expense	4.0	4.1	3.7	3.4	4.0
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	75.0
Change in working capital	-9.8	-18.4	-18.0	-0.6	-13.7
Cash flow from operating activities	29.8	8.4	17.6	48.2	61.3
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	-10.7
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	31.3
Cash flow from financing activities	-2.4	4.0	76.0	-0.2	20.6

Sources: Mercury Securities, Company

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