



Aurelius Technologies Berhad

“Slow quarter arising from weaker orders”

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

Main Board

Industrial Products

HOLD

TP: RM2.72

Last Closing Price: RM2.36

Initiated Price: RM1.71

Valuation / Recommendation

Results were below expectations, achieving 15.7% and 13.5% of our full year revenue and profit forecasts for FY24 respectively. Revenue for the quarter was qoq weaker, arising from abrupt deferrals from existing customers that were right-sizing inventory levels, re-emphasizing just-in-time (JIT), and facing recessionary effects.

We revise our revenue and profit forecasts downward by 11.1% and 30.9-35.6% due to weaker order book assumptions. We recommend a **HOLD** on Aurelius with a revised TP of RM2.72 (down from RM3.55) based on FY25F EPS 14.3 sen and a PE of 19x 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

New capacity in place. The company currently has a total manufacturing floor space of 132,029 sq ft, with the completion of its 64,563 sq ft plant 3 in March 2022, and a 46,320 sq ft newly leased plant 4 which is primarily functioned as a warehouse for light assembly works (if required) to complement its existing manufacturing plants. The company had on 13th January 2023 signed the acceptance of the letter of offer (LO) from Northern Technocity Sdn Bhd for the purchase of a vacant industrial land measuring approximately 301,874 sq ft, located within Kulim High-Tech Park.

To address the constraint in the manufacturing floor space and continued business growth through the acquisition of 4 new customers in FY23 and roll-out of NPI for existing and new customers, the company intends to build a new manufacturing plant 5. The new plant will house another 165,000 sq ft of manufacturing floor space with a 50,000 sq ft ISO 8 Class 100,000 clean room, which will double the capacity of its existing space.

The clean room facilities will support the company's aspirations to foray into manufacturing of advanced electronic components and OSAT for its existing customer's automotive industry product range. The plant is intended to undertake manufacturing activities for multiple customers of the company and have the capacity to fit at least 15 SMT lines (comparing to 17 SMT lines of current 260,357 sq ft plant 1,2, and 3).

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 December 2022, 6 fully automated SMT lines have been commissioned for this customer in its existing plant 2. Our estimates assume 1HFY24 to be weaker on the back of abrupt deferrals from existing customers that were right-sizing inventory levels, re-emphasizing JIT, and facing recessionary effects. We think that 2HFY24 will be stronger on the back of higher contributions from customer F, with the 7th SMT line expected to be fully utilised by 2HFY24.

The company plans to dedicate at least 8 SMT lines to cater for more orders from this customer, where the remainder 1 line is expected to be fully installed by FY24. 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 FY25. We think that margins for this customer will be relatively higher with the consignment of raw materials.

Sources: Mercury Securities, Company

RESULTS (RM m)	1Q24	4Q23	qoq %	1Q24	yoy %
FY Jan					
Revenue	94.6	137.1	-31.0	100.7	-6.0
COGS	-87.1	-114.6	-24.0	-93.2	-6.6
Gross Profit	7.5	22.5	200.0	7.5	0.3
Other Income	3.2	0.4	-66.7	0.1	-
Selling & Distribution Expenses	-0.1	-0.1	-	-0.1	87.3
Admin Expenses	-2.5	-7.6	-67.1	-2.7	-5.4
Operating Profit	8.2	15.2	-46.1	4.9	67.8
Finance Income	0.9	-	-	0.2	449.3
Finance Costs	-0.4	-1.2	-66.7	-0.6	-44.2
Profit Before Tax	8.7	14.0	-37.9	4.4	97.7
Tax Expense	-0.6	1.2	-	0.6	-194.6
Net profit	8.1	12.9	-37.2	5.0	60.8
Core net profit	8.1	12.9	-37.2	5.0	60.8
EPS (sen)	2.1	3.6	-41.7	1.4	50.0
Core EPS (sen)	2.1	3.6	-41.7	1.4	50.0

Business Overview

Aurelius Technologies Berhad operates as a holding company. 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.

Stock Return Information

KLCI (pts)	1,388.71
Expected Share Return (%)	15.3
Expected Dividend Yield (%)	1.4
Expected Total Return (%)	16.7

Price Performance

	1M	3M	12M
Absolute (%)	-3.0	21.0	53.0
Relative to Index (%)	-2.0	-19.0	60.0

Share Information

Market Cap (RM m)	969.2
Issued Shares (m) Adjusted to post private placement	394.0
52W High (RM)	3.40
52W Low (RM)	1.33
Estimated Free Float (%)	55.1
Beta vs FBM KLCI	-
3-month Average Vol. (m)	17.6

Top 3 Shareholders (%)

Main Stream Ltd	20.06
Lee Chong Yeow (Deceased)	7.73
Loh Hock Chiang	7.73

Sources: Mercury Securities, Company, Bloomberg

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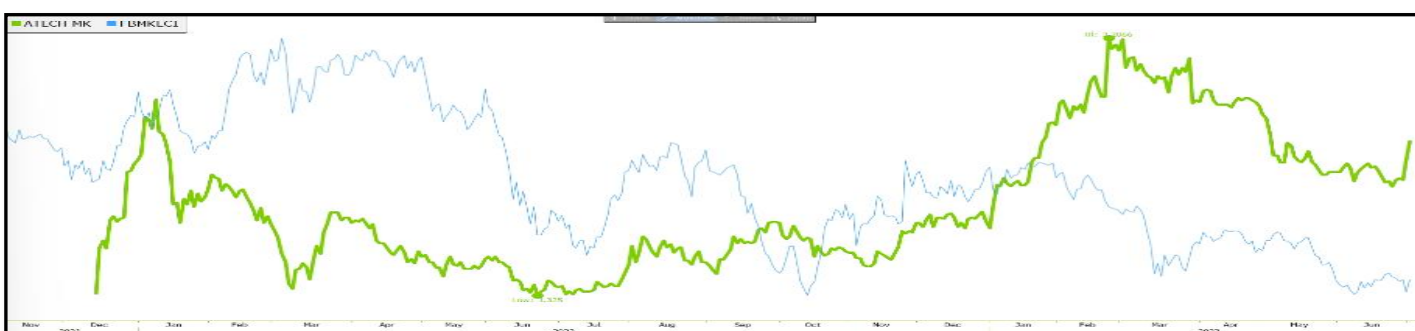
The newly leased plant 4 warehouse will be used to store raw materials, easing some capacity in plant 3. The company plans to utilize the proceeds from its private placement to acquire 2 additional SMT lines for plant 3, each for general purposes and new product initiative (NPI). The SMT lines are expected to provide an additional production capacity of 61% per annum for products other than semiconductor components.

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 about RM288m as of June 2023, where RM175m is expected to be fully recognized by FY2024 and the remainder by June 2025. 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.

INVESTMENT STATISTICS	FY21	FY22	FY23	FY24F	FY25F
Revenue (RM m)	362.2	367.4	482.4	542.1	670.3
EBITDA (RM m)	26.5	35.4	52.3	61.4	78.1
PATMI	15.1	22.0	37.2	43.6	56.3
PAT Margin (%)	4.2	6.0	7.7	8.0	8.4
EPS (sen)	3.8	5.6	9.5	11.1	14.3
EPS Growth (%)	-41.8	46.0	69.0	17.0	29.3
Dividend Yield (%)	1.3	0.4	0.8	1.2	1.4
BV Per Share (sen)	21.3	51.1	58.8	67.0	78.8
PE (x)	64.2	44.0	26.0	22.2	17.2
Net Gearing (%)	Net Debt	Net Debt	Net Debt	Net Cash	Net Cash
ROA (%)	5.4	5.4	8.9	10.9	11.8
ROE (%)	18.0	10.9	16.1	16.5	18.1



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	0.99	1,546.7	18.3	8.6	10.1	-7.0%	17.4%	1.5	1.5
PIE Industrial	PIE MK	2.98	1,394.1	17.8	17.0	21.0	-6.8%	23.5%	1.9	1.7
V.S. Industry	VSI MK	0.89	3,058.8	20.1	4.7	6.3	7.6%	34.0%	1.5	1.4
Average				18.7						

Sources: Mercury Securities, Bloomberg



PROFIT & LOSS (RM m) FYE Jan	FY21A	FY22A	FY23A	FY24F	FY25F
Net Revenue	362.2	367.4	482.4	542.1	670.3
Gross Profit	30.1	40.7	60.2	68.5	93.2
Other Operating Income	1.2	0.3	1.4	2.0	3.0
EBIT	22.0	29.8	43.6	50.2	65.9
Administrative Expenses	9.1	11.0	17.1	19.8	27.8
Selling & Distribution Expenses	0.2	0.2	0.4	0.4	0.6
Other Operating Expenses	0.0	0.0	0.0	0.0	1.0
Profit from operations	22.0	29.8	44.2	50.2	66.9
Interest Income	0.0	0.0	0.0	0.0	0.0
Interest Expense	4.1	3.9	3.9	1.3	1.3
Profit Before Tax	17.8	25.9	40.3	49.0	65.5
Exceptional Items	-	-	-	-	-
Taxation	2.7	3.9	3.0	5.4	7.2
Minority Interests	0.0	0.0	0.0	0.0	1.0
Profit After Tax (PATMI)	15.1	22.0	37.2	43.6	57.3
Preferred Dividends / Adjustments	-	-	-	-	-
Recurring Net Profit	15.1	22.0	37.2	43.6	57.3
BALANCE SHEET (RM m) FYE Jan	FY21A	FY22A	FY23A	FY24F	FY25F
Cash & Equivalents	17.1	34.6	41.7	49.4	69.4
Trade & Other Receivables	102.6	93.1	136.6	77.0	84.2
Inventories	72.5	133.5	101.7	97.3	107.3
Other Current Assets	33.1	66.2	21.4	55.7	57.0
Current Assets	225.4	327.4	301.4	279.4	317.8
Property, Plant & Equipment	56.2	84.0	115.4	118.7	152.0
Non-Current Assets	56.2	84.0	117.2	118.7	159.0
Trade & Other Payables	55.9	87.7	81.6	98.7	126.9
Short-Term Borrowings	110.2	98.5	72.9	5.0	5.0
Other Current Liabilities	0.2	0.1	2.1	1.0	3.0
Current Liabilities	166.3	186.2	156.5	104.7	134.8
Long-Term Borrowings	26.1	15.9	20.9	20.9	21.7
Other Non-Current Liabilities	5.1	7.9	8.7	8.6	10.0
Non-Current Liabilities	31.2	23.7	30.5	29.5	31.7
Share Capital	45.9	182.9	182.9	182.9	182.9
Retained Profits	31.6	50.6	80.9	113.1	155.5
Other Equity	6.6	-32.1	-32.3	-32.1	-31.1
Total Equity	84.1	201.4	231.6	263.9	310.3
CASH FLOW (RM m) FYE Jan	FY21A	FY22A	FY23A	FY24F	FY25F
Profit before tax (PBT)	17.8	25.9	40.3	49.0	65.5
Depreciation	4.5	5.6	8.7	11.2	12.2
Interest expense	4.1	3.7	3.7	1.3	1.3
Interest income	-0.2	-0.3	-0.5	-0.3	-0.3
Other operating cash flow	0.5	0.7	3.4	0.0	0.0
Operating profit before change in working capital	26.8	35.7	55.6	61.2	78.8
Change in working capital	-18.4	-18.0	-6.5	83.4	10.9
Cash flow from operating activities	8.4	17.6	49.1	144.6	89.8
Interest received	0.1	0.2	0.5	0.2	0.2
Other investing cash flow	-3.2	-1.4	-1.9	-1.4	-1.4
Purchase of PPE	-11.4	-33.4	-39.9	-30.0	-30.0
Cash flow from investing activities	-14.5	-34.6	-41.3	-31.2	-31.2
Dividends paid	-4.9	-0.6	-7.2	-11.3	-14.9
Proceeds from issuance of shares	0.0	98.6	0.0	0.0	0.0
Other financing cash flow	8.9	-22.1	-19.0	-17.2	-16.2
Cash flow from financing activities	4.0	76.0	-26.3	-28.5	-31.1

Sources: Mercury Securities, Company

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