



Aurelius Technologies Berhad

Brighter projections on the horizon

Bloomberg: ATECH MK | Stock Code: 5302

Valuation / Recommendation

Results were below expectations, achieving 55.8% and 64.9% of our full year revenue and profit forecasts for FY23. Qoq revenue was weaker, largely due to deferment of customers' orders as they focus on depleting their high inventory levels. We revise our revenue and profit forecasts downward by -21.9% and -18.7%. This is attributed to the delayed implementation of new SMT lines and a shift in the financial year-end, leading to a shortened FY23 spanning only 11 months.

However, we believe that customer destocking actions have reached a low point and foresee a gradual recovery in FY24 performance. We maintain a BUY recommendation on ATech with a TP of RM3.13 based on FY23F EPS 17.4 sen and a PE of 18x. 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

Capacity expansion plans. To address the constraint in the manufacturing floor space and continued business growth through the acquisition of 4 new customers in FY22 and roll-out of NPI for existing and new customers, the company intends to build a new manufacturing plant 5 (P5). 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).

The groundwork for the construction has been completed, with land handover expected to take place late January 2024. ATech also aims to receive the Certificate of Completion and Compliance (CCC) for P5 at the end of 2024.

Additional SMT lines to support growth. We initially expected that the 8th SMT line for Customer F would be fully installed by FY23, but this has been delayed to Q2 2024 due to surplus production capacity in China and a general slowdown in orders. Meanwhile, the instalment of 2 new SMT lines for P3 (for general use) has also been delayed to 2024/2025. The SMT lines are expected to provide an additional production capacity of 61% per annum for products other than semiconductor components.

Strong order book. ATech has an order book of RM473m as of 11 Dec 2023, which represents an increase of RM151m from 18 Sep 2023.

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

Investment Statistics	FY20	FY21	FY22	FY23F	FY24F
Revenue	362.2	367.4	482.4	423.3	689.7
EBITDA (RM m)	26.5	35.4	52.3	52.5	91.7
PATMI (RM m)	15.1	22.0	37.2	35.4	69.4
Profit Margin (%)	4.2	6.0	7.7	8.4	9.9
EPS (sen)	3.8	5.6	9.5	9.0	17.4
EPS Growth (%)	-41.8	46.0	69.0	-4.9	93.0
BV Per Share (sen)	21.3	51.1	58.8	87.3	100.2
PE (x)	64.2	44.0	26.0	27.4	14.2
Dividend Yield (%)	1.3	0.4	0.8	1.0	1.9
Net Gearing (%)	Cash	Cash	Cash	Debt	Debt
ROA	5.4	5.4	8.9	7.4	11.4
ROE	18.0	10.9	16.1	10.3	17.3

Main Market
Industrial Materials, Components & Equipment sector
BUY
TP: RM3.13
Last Closing Price: RM2.58
Initiated Price: RM1.71

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. Aurelius Technologies serves customer in Malaysia.

Stock Information

KLCI (pts)	1,453.10
Expected Share Return (%)	21.3
Expected Dividend Yield (%)	1.0
Expected Total Return (%)	22.3

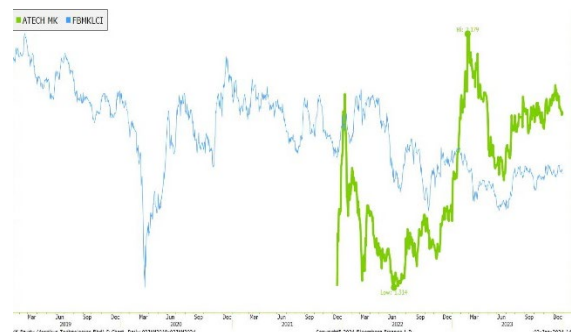
Price Performance	1M	3M	12M
Absolute (%)	-5.8%	2.1%	31.7%
Relative to FBMKLCI (%)	-6.0%	-0.3%	-1.4%

Stock Return Information

Market Cap (RM m)	1,020.6
Issued Shares (m)	394.1
52W High (RM)	3.40
52W Low (RM)	1.83
Estimated Free Float (%)	30.5
Beta vs FBM KLCI	0.31
3-month Average Vol. (m)	0.85

Top 3 Shareholders

Main Stream Holding Sdn Bhd	20.0%
Main Stream Limited	19.4%
Lee Chong Yeow	7.8%



Source: Mercury Securities, Bloomberg



Quarter Results & Peer Comparisons

Quarter Results Comparison (RM m)

FY Dec	3Q2023	2Q2023	QOQ%	3Q2022	YOY%
Revenue	98.8	109.0	-9.4%	132.5	-25.5%
COGS	86.6	93.7	-7.6%	114.7	-24.5%
Gross Profit	12.2	15.3	-20.2%	17.9	-31.7%
Other Income	4.8	4.7	2.3%	0.4	1200.9%
Admin Expenses	3.4	7.2	-53.3%	3.6	-7.2%
Selling & Distribution Expenses	0.1	0.1	-45.7%	0.1	-26.9%
Operating Profit	13.6	12.7	7.0%	14.5	-6.6%
Finance Income	0.6	1.1	-42.3%	0.1	605.0%
Finance Costs	0.7	0.4	79.4%	1.2	-41.4%
Profit Before Tax	13.5	13.4	1.0%	13.5	0.5%
Tax Expense	3.8	2.9	34.2%	1.2	221.2%
Net profit	9.7	10.6	-8.1%	12.3	-21.0%
Core net profit	9.7	10.6	-8.1%	132.5	-25.5%
EPS (sen)	2.47	2.69	-8.2%	3.43	-28.0%
Core EPS	2.47	2.69	-8.2%	3.43	-28.0%

Source: Mercury Securities, Bloomberg

Peer Comparison

Company	Bloomberg Ticker	Share Price (RM)	Market Cap (RM m)	P/E (x)		EPS (sen)		EPS Growth		P/BV (x)	
				FY24F	FY25F	FY24F	FY25F	FY24F	FY25F	FY24F	FY25F
V.S. Industry Berhad	VSI MK	0.81	3,100.3	16.1	13.0	5.5	6.4	18.0%	16.4%	1.3	1.3
SAM Engineering & Equipment (M) Berhad	SEQB MK	4.03	2,182.6	25.2	17.9	16.0	22.2	-2.6%	38.6%	4.9	4.4
Chin Well Holdings Berhad	CWH MK	1.27	366.7	11.1	7.8	9.3	14.0	-32.5%	50.5%	0.5	0.5
Average				17.5	12.9						

Source: Mercury Securities, Bloomberg



Key Financial Data

PROFIT & LOSS (RM m) FY Dec	FY20	FY21	FY22	FY23F	FY24F
Net Revenue	362.2	367.4	482.4	423.3	689.7
Gross Profit	30.1	40.7	60.2	50.8	96.6
Other Operating Income	1.2	0.3	1.4	5.1	8.3
EBIT	22.0	29.8	43.6	41.3	79.5
Administrative Expenses	9.1	11.0	17.1	16.9	25.5
Selling & Distribution Expenses	0.2	0.2	0.4	0.3	0.6
Other Operating Expenses	0.0	0.0	0.0	0.0	1.0
Profit from operations	22.0	29.8	44.2	38.6	77.8
Interest Income	0.0	0.0	0.0	2.7	2.8
Interest Expense	4.1	3.9	3.9	1.5	1.5
Profit Before Tax	17.8	25.9	40.3	39.8	79.1
Exceptional Items	-	-	-	-	-
Taxation	2.7	3.9	3.0	4.4	8.7
Minority Interests	0.0	0.0	0.0	0.0	1.0
Profit After Tax (PATMI)	15.1	22.0	37.2	35.4	69.4
Preferred Dividends / Adjustments	-	-	-	-	-
Recurring Net Profit	15.1	22.0	37.2	35.4	69.4
BALANCE SHEET (RM m) FY Dec	FY20	FY21	FY22	FY23F	FY24F
Cash & Equivalents	17.1	34.6	41.7	67.9	119.3
Trade & Other Receivables	102.6	93.1	136.6	72.0	127.9
Inventories	72.5	133.5	101.7	130.4	115.7
Other Current Assets	33.1	66.2	21.4	83.1	84.1
Current Assets	225.4	327.4	301.4	353.3	446.9
Property, Plant & Equipment	56.2	84.0	115.4	124.1	152.0
Other Non-Current Assets	0.0	0.0	1.8	1.1	1.4
Non-Current Assets	56.2	84.0	117.2	125.2	153.4
Trade & Other Payables	55.9	87.7	81.6	96.7	166.7
Other Current Liabilities	110.4	98.5	75.0	6.7	7.7
Current Liabilities	166.3	186.2	156.5	103.5	174.4
Other Non-Current Liabilities	31.2	23.7	30.5	31.1	31.1
Non-Current Liabilities	31.2	23.7	30.5	31.1	31.1
Share Capital	45.9	182.9	182.9	260.2	260.2
Retained Profits	31.6	50.6	80.9	107.1	158.4
Other Equity	6.6	-32.1	-32.3	-32.4	-32.4
Total Equity	84.1	201.4	231.6	343.9	394.7
CASH FLOW (RM m) FY Dec	FY20	FY21	FY22	FY23F	FY24F
Profit Before Tax	17.8	25.9	40.3	39.8	79.1
Other Operating Cash Flow	9.0	9.8	15.3	12.4	13.4
Changes in Working Capital	-18.4	-18.0	-6.5	50.8	28.7
Cash Flow from Operations	1.5	9.9	42.1	97.2	111.0
Other Investing Cash Flow	-14.5	-34.6	-41.3	-31.2	-31.2
Cash Flow from Investing	-14.5	-34.6	-41.3	-31.2	-31.2
Dividends Paid	-4.9	-0.6	-7.2	-9.2	-18.0
Other Financing Cash Flow	8.9	-22.1	-19.0	-17.2	-16.2
Cash Flow from Financing	4.0	76.0	-26.3	-26.4	-34.2



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Source: Mercury Securities, Bloomberg



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MERCURY SECURITIES SDN BHD
Registration No. 198401000672 (113193-W)
L-7-2, No 2, Jalan Solaris, Solaris Mont' Kiara, 50480 Kuala Lumpur
Telephone: (603) - 6203 7227
Website: www.mercurysecurities.com.my
Email: mercurykl@mersec.com.my