

COMPANY RESULTS

Aztech Global (AZTECH SP)

1Q25: Results Below Expectations; Downgrade To SELL On Challenging Outlook

1Q25 earnings of S\$1.5m (-91% yoy) are way below our expectation, forming only 3% of our full-year estimate. Revenue fell 67% yoy on reduced customer demand. Aztech is looking to tap opportunities that may arise from the current challenging situation as the global economic climate remains mired in uncertainty with the evolving trade wars and geopolitical tensions. Downgrade to SELL with a 29% lower target price of S\$0.46.

1Q25 RESULTS

Year to 31 Dec (S\$m)	1Q25	1Q24	yoy % chg	4Q24	qoq% chg
Revenue	42.0	128.6	(67.3)	81.7	(48.6)
PBT	1.8	18.9	(90.5)	10.7	(83.2)
PBT margin (%)	4.3	14.7	(10.4ppt)	13.1	(8.8ppt)
Net profit	1.5	15.9	(90.6)	10.2	(85.3)
Net margin (%)	3.6	12.4	(8.8ppt)	12.4	(8.8ppt)

Source: Aztech Global, UOB Kay Hian

RESULTS

- 1Q25 earnings significantly below expectations.** Aztech Global's (Aztech) 1Q25 net profit of S\$1.5m (-91% yoy) is significantly below expectations, forming only 3% of our full-year estimate. Revenue for 1Q25 declined 67% yoy due to lower sales volume of IoT devices and data-communication products, attributable to reduced demand from customers. Aztech generated net cash of S\$18.6m from its operating activities as it continued with its disciplined cost and tight working capital management and delivered free cash flow of S\$18.3m on prudent capital expenditure. As of 1Q25, Aztech's net cash position was healthy at S\$316m (S\$0.40/share), while its net asset value stood at S\$0.44/share.
- Challenging outlook and strategy to navigate the tough environment.** As the global economic climate remains mired in uncertainty with the evolving trade wars and geopolitical tensions, Aztech is focusing on the execution of the Aztech Strategy outlined below to navigate the current landscape: a) strengthening its customer base by enhancing relationships with current customers while securing new customers; b) maintaining a diversified and extensive network of suppliers to mitigate tariff-related risks; c) leveraging on its flexibility to expand its manufacturing capacities in both Malaysia and China; d) adopting a disciplined approach to costs, cash and capital management to optimise financial strength; and e) tightening its foreign exchange risk management policy to manage and monitor any possible exposure. With the above strategies, Aztech will be looking to tap on opportunities that might arise from the current challenging situation.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2023	2024	2025F	2026F	2027F
Net turnover	896	622	218	229	240
EBITDA	126	78	26	28	29
Operating profit	118	68	17	19	22
Net profit (rep./act.)	100	71	20	22	24
Net profit (adj.)	100	71	20	22	24
EPS (S\$ cents)	13.0	9.1	2.6	2.9	3.2
PE (x)	5.6	8.0	28.2	25.5	23.2
P/B (x)	1.6	1.7	1.7	1.7	1.6
EV/EBITDA (x)	2.3	3.7	10.9	10.4	10.0
Dividend yield (%)	11.0	20.5	1.8	2.1	2.3
Net margin (%)	11.2	11.3	9.2	9.6	10.1
Net debt/(cash) to equity (%)	(60.8)	(81.9)	(84.9)	(87.4)	(89.2)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	31.4	20.4	6.0	6.7	7.1
Consensus net profit	-	-	48	51	61
UOBKH/Consensus (x)	-	-	0.42	0.43	0.40

Source: Aztech, Bloomberg, UOB Kay Hian

SELL

(Downgraded)

Share Price	S\$0.73
Target Price	S\$0.46
Upside	-37.0%
(Previous TP)	S\$0.65)

COMPANY DESCRIPTION

Aztech Global is an electronics manufacturer with 34 years of proven track record in adapting to evolving trends and transforming from an OEM into a full-fledged manufacturer.

STOCK DATA

GICS sector	Information Technology
Bloomberg ticker:	AZTECH SP
Shares issued (m):	771.8
Market cap (S\$m):	563.4
Market cap (US\$m):	428.0
3-mth avg daily t'over (US\$m):	0.8

Price Performance (%)

52-week high/low				S\$ 1.08/S\$ 0.67
1mth	3mth	6mth	1yr	YTD
(3.9)	7.4	(29.1)	(27.7)	3.5

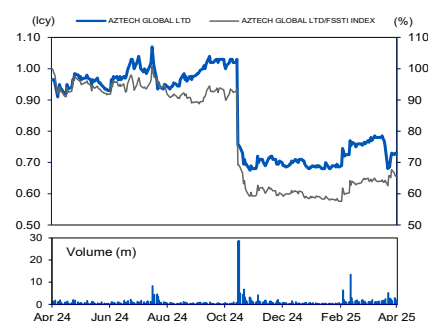
Major Shareholders

Mun Hong Yew	70.3
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FY25 NAV/Share (S\$)	0.40
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FY25 Net Cash/Share (S\$)	0.32
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PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Leveraging Malaysia facility to expand customer base.** As part of its customer base expansion initiative, Aztech is positioning its Malaysia facility as the manufacturing partner for customers looking to mitigate supply chain risks arising from geopolitical and tariff uncertainties. Leveraging its capabilities to provide vertically integrated manufacturing solutions from plastic injection, surface mount technology (SMT), printed circuit board (PCB) assembly and test, box build, etc, Aztech is actively engaging and collaborating with its customers to achieve business objectives more effectively.
- **Five new customers to start production in 2H25.** The new automated production line at the Malaysia facility remains on track for commissioning in 2Q25 and this is expected to improve productivity and product quality. Additionally, Aztech secured five new customers from the consumer, health-tech and industrial segments during 1Q25 with commercial production scheduled to start from 2H25.

EARNINGS REVISION/RISK

- **We slash our 2025-27 revenue forecasts by 58-59%,** driven by weaker-than-expected results and the global environment fraught with uncertainty. As a result, our earnings estimates are revised downward by 61-65% for the same period.

VALUATION/RECOMMENDATION

- **Downgrade to SELL with a 29% lower target price of S\$0.46,** pegged to 1.1x 2025F book value. This is based on -2SD to Aztech's long-term P/B band. Previously, we valued Aztech based on 9x 2024 EPS, pegged to 0.5SD above Aztech's long-term mean PE. Our new P/B valuation methodology is adopted to capture the potential earnings trough cycle and high cash value of Aztech, at S\$316m (S\$0.40/share) as of 1Q25.

SHARE PRICE CATALYST

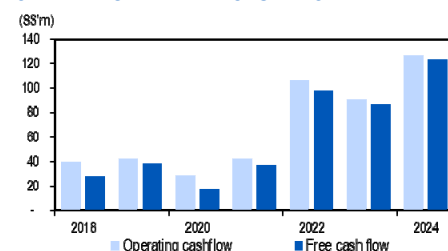
- Steady order wins.
- Better-than-expected forex gain and cost management.
- Dividend surprise.

PEER COMPARISON

Company	Ticker	Price @ 15 Apr 25 (1cy)	Market Cap (US\$m)	PE		P/B		EV/EBITDA 2025 (x)	ROE 2025 (%)	Yield 2025 (%)
				2025 (x)	2026 (x)	2025 (x)	2026 (x)			
Singapore Peers										
AEM	AEM SP	1.09	259	13.9	11.5	0.7	0.7	8.2	5.9	2.2
Frencken	FRKN SP	0.98	318	10.5	10.0	0.9	0.9	4.9	8.9	3.0
Fu Yu	FUYU SP	0.089	52	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
UMS	UMSH SP	1	540	15.8	14.6	1.7	1.6	8.8	11.2	4.9
Valuetronics	VALUE SP	0.6	185	8.1	7.7	1.0	0.9	1.2	12.2	8.5
Venture Corp	VMS SP	10.84	2,370	12.6	11.9	1.1	1.0	6.3	8.8	6.9
Average				12.2	11.1	1.1	1.0	5.9	9.4	5.1
Malaysia Peers										
V.S. Industry	VSI MK	0.755	658	21.0	11.8	1.3	1.2	8.6	10.8	3.8
ATA IMS	AIB MK	0.25	68	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Skp Resources	SKP MK	0.8	283	8.5	7.5	1.2	1.1	4.6	15.5	7.1
Average				14.7	9.6	1.2	1.2	6.6	13.1	5.5
Aztech	AZTECH SP	0.73	428	7.5	7.3	1.5	1.5	3.3	20.9	13.0

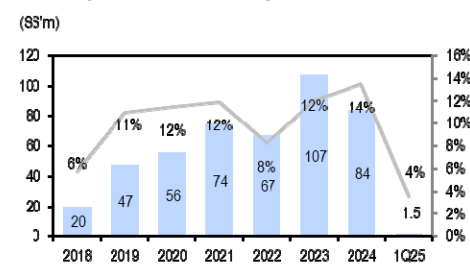
Source: Bloomberg, UOB Kay Hian

OPERATING AND FREE CASH FLOW



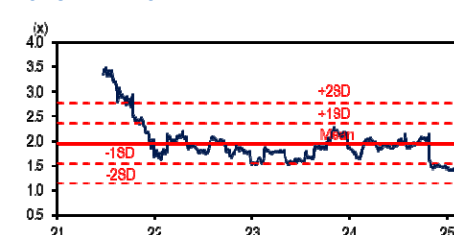
Source: Aztech, UOB Kay Hian

NET PROFIT AND NET MARGIN



Source: Aztech, UOB Kay Hian

LONG-TERM FORWARD PB BAND



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Net turnover	621.6	218.2	228.8	240.0
EBITDA	77.8	26.5	27.7	28.8
Deprec. & amort.	9.3	9.9	8.8	7.2
EBIT	68.5	16.5	18.9	21.6
Total other non-operating income	3.9	0.0	0.0	0.0
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	8.7	7.1	7.1	7.1
Pre-tax profit	81.1	23.6	26.1	28.7
Tax	(10.5)	(3.6)	(4.0)	(4.4)
Minorities	0.0	0.0	0.0	0.0
Net profit	70.5	20.0	22.1	24.3
Net profit (adj.)	70.5	20.0	22.1	24.3

CASH FLOW

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Operating	126.8	34.3	31.4	32.0
Pre-tax profit	94.6	23.6	26.1	28.7
Tax	(10.0)	(13.8)	(3.4)	(3.8)
Deprec. & amort.	9.3	9.9	8.8	7.2
Working capital changes	43.2	14.7	(0.0)	(0.1)
Non-cash items	(10.2)	0.0	0.0	0.0
Investing	29.1	5.8	5.2	5.2
Capex (growth)	(3.4)	(3.0)	(3.0)	(3.0)
Proceeds from sale of assets	0.2	0.2	0.2	0.2
Others	32.3	8.6	8.0	8.0
Financing	(83.1)	(63.0)	(17.9)	(19.5)
Dividend payments	(77.2)	(77.2)	(10.0)	(11.6)
Issue of shares	0.0	0.0	0.0	0.0
Loan repayment	(9.1)	(0.2)	0.1	0.1
Others/interest paid	3.2	14.4	(8.0)	(8.1)
Net cash inflow (outflow)	72.8	(22.8)	18.8	17.7
Beginning cash & cash equivalent	238.7	312.9	290.1	308.8
Changes due to forex impact	1.4	0.0	0.0	0.0
Ending cash & cash equivalent	312.9	290.1	308.8	326.6

BALANCE SHEET

Year to 31 Dec (\$m)	2024	2025F	2026F	2027F
Fixed assets	39.6	32.5	26.5	22.2
Other LT assets	1.2	0.0	0.0	0.0
Cash/ST investment	292.1	290.1	308.8	326.6
Other current assets	138.3	62.4	64.5	66.5
Total assets	471.2	385.0	399.8	415.3
ST debt	3.4	3.2	3.4	3.5
Other current liabilities	113.9	39.6	42.0	44.2
LT debt	10.9	10.9	10.9	10.9
Other LT liabilities	4.0	6.2	6.5	6.8
Shareholders' equity	339.1	325.1	337.1	349.9
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	471.2	385.0	399.8	415.3

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	12.5	12.1	12.1	12.0
Pre-tax margin	13.0	10.8	11.4	12.0
Net margin	11.3	9.2	9.6	10.1
ROA	13.1	4.7	5.6	6.0
ROE	20.4	6.0	6.7	7.1
Growth				
Turnover	(30.6)	(64.9)	4.9	4.9
EBITDA	(38.4)	(66.0)	4.7	3.8
Pre-tax profit	(34.5)	(70.9)	10.4	10.3
Net profit	(29.5)	(71.7)	10.4	10.3
Net profit (adj.)	(29.5)	(71.7)	10.4	10.3
EPS	(29.5)	(71.7)	10.4	10.3
Leverage				
Debt to total capital	4.0	4.2	4.1	3.9
Debt to equity	4.2	4.3	4.2	4.1
Net debt/(cash) to equity	(81.9)	(84.9)	(87.4)	(89.2)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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