

COMPANY RESULTS

Greatech Technology (GREATEC MK)

1H24: In Line; On Track To Anchor A Record Year

Earnings were at a record high and we expect stronger earnings traction in 2H24 on higher PLS revenue recognition from the life sciences and solar industries. While there could be delays in orderbook replenishment due to customers' wait-and-see approach before the US presidential election, Greatech's outstanding orderbook stands at RM865m and is expected to last until 1H25. Cut 2024-25 earnings by 6-11% to account for a delay in recognition of projects. Maintain BUY. Target price: RM6.50.

1H24 RESULTS

Year to 31 Dec (RMm)	2Q24	qoq% chg	yoy % chg	1H24	yoy % chg
Revenue	205.9	35.6	24.3	357.7	28.1
Gross profit	68.5	91.0	84.1	104.4	27.0
EBITDA	57.6	45.5	22.1	97.1	23.6
Operating profit	52.6	50.9	20.8	87.4	22.1
Finance cost	(0.2)	(1.6)	50.0	(0.5)	50.8
Pre-tax profit	52.4	51.3	20.7	87.0	21.9
Net Profit	48.4	51.0	26.3	80.4	21.6
Margins (%)		qoq ppt chg	yoy ppt chg		yoy ppt chg
Gross Profit	33.3	9.7	10.8	29.2	(0.2)
EBITDA	28.0	1.9	-0.5	27.1	(1.0)
PBT	25.4	2.6	-0.8	24.3	(1.2)
Net profit	23.5	2.4	0.4	22.5	(1.2)

Source: Greatech, UOB Kay Hian

RESULTS

- **Within expectations on a record 2Q24 profit.** Greatech Technology (Greatech) reported an all-time high net profit of RM48.4m (+51% qoq, +26% yoy), bringing 1H24 net profit to RM80.4m (+22%) which made up 38%/41% of our/consensus estimates respectively. We deem the results in line as 1H typically makes up only 42-45% of the group's earnings in the past two years. Meanwhile, we expect stronger earnings traction to be reflected in 2H24, underpinned by the recognition of the new production line system (PLS) revenue from the life science and solar industries.
- **1H24 revenue increased 28% yoy**, predominantly driven by the recognition of revenue from the new PLS from the life sciences industry along with new contribution with the integration of Greatech Integration (Ireland). These were on the back of provision of PLS for a wider range of products to its life sciences customers. That said, net profit grew by a smaller quantum of 22% on higher depreciation and labour costs.

KEY FINANCIALS

Year to 31 Dec (RMm)	2022	2023	2024F	2025F	2026F
Net turnover	546	659	839	1,009	1,265
EBITDA	139	182	235	283	352
Operating profit	128	167	207	251	314
Net profit (rep./act.)	132	154	190	231	288
Net profit (adj.)	134	165	190	231	288
EPS (sen)	10.7	13.2	15.2	18.4	23.0
PE (x)	46.6	38.0	32.9	27.1	21.7
P/B (x)	10.7	8.3	6.6	5.3	4.3
EV/EBITDA (x)	44.0	33.5	26.1	21.6	17.4
Dividend yield (n.a.)	n.a.	n.a.	n.a.	n.a.	n.a.
Net margin (%)	24.1	23.4	24.9	27.4	27.3
Net debt/(cash) to equity (%)	(52.0)	(22.2)	(17.1)	(31.1)	(35.8)
Interest cover (x)	246.1	243.0	449.8	338.9	249.7
ROE (%)	25.9	23.1	22.5	21.8	21.9
Consensus net profit	-	-	195	233	257
UOBKH/Consensus (x)	-	-	0.97	0.99	1.12

Source: Greatech, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM5.00
Target Price	RM6.50
Upside	+30.0%
(Previous TP	RM6.20)

COMPANY DESCRIPTION

Greatech Technology is primarily a manufacturer of automated equipment. Its products range from single automated equipment up to a production line system which comprises multiple automated equipment.

STOCK DATA

GICS sector	Information Technology
Bloomberg ticker:	GREATEC MK
Shares issued (m):	1,254.9
Market cap (RMm):	6,274.3
Market cap (US\$m):	1,433.2
3-mth avg daily t'over (US\$m):	2.1

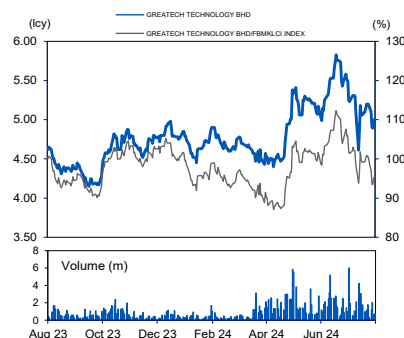
Price Performance (%)

52-week high/low	RM5.83/RM4.15			
1mth	3mth	6mth	1yr	YTD
(10.4)	(0.2)	2.7	8.9	4.2

Major Shareholders

Gtech Holdings Sdn Bhd	57.7
AIA Bhd	3.2
Lembaga Tabung Haji	2.9
FY24 NAV/Share (RM)	0.75
FY24 Net Cash/Share (RM)	0.13

PRICE CHART



Source: Bloomberg

ANALYST(S)

Desmond Chong
 +603 2147 1980
 desmondchong@uobkayhian.com

- **2Q24 revenue soared 36% qoq** vis-à-vis a low base in 1Q24 which was dragged by the revenue shortfall from the e-mobility segment (revised plan for PLS commissioning) back then. Net profit grew by a wider quantum of 51% on better operational efficiency.

STOCK IMPACT

- **Still has a solid orderbook of RM865m to last till 1H25 despite moderating replenishment.** Note that Greatech had secured >RM294m worth of new orders this year, led by two life sciences customers on multiple PLS, followed by PLS jobs from its US incumbent solar customer, three e-mobility customers and VR/AI customers. Overall, its outstanding orderbook as of 19 Aug 24 stood at RM865m, with nearly half coming from solar, followed by life sciences, e-mobility, and semiconductor automation. This will last until 1H25. While there could be delays in replenishment due to the wait-and-see approach by customers before the US presidential election, management remains confident in securing sizeable jobs at around RM650m which could be anchored by solar and life sciences while the e-mobility and semiconductor automation segments could only catch up at a later stage.
- **Announced 1-for-1 bonus issue to improve liquidity.** Greatech proposed a 1-for-1 bonus issue on 3 Jul 24, which will entail the issuance of up to 1,254.9m bonus shares (with the total number of issued shares to reach 2,509.8m eventually) with the entitlement to be determined and announced soon. The proposed bonus issue is expected to be completed in 3Q24. Post-issuance, our new target price of RM6.50 will be adjusted to RM3.25 ex adjustment.

EARNINGS REVISION/RISK

- We cut our 2024-25 earnings by 6-11% to account for pushback in recognition of projects related to e-mobility customers.

VALUATION/RECOMMENDATION

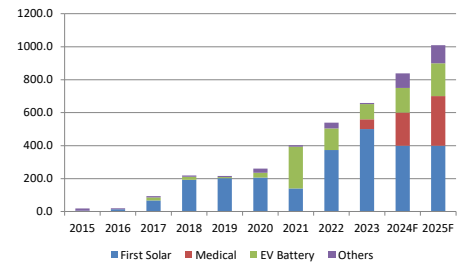
- **Maintain BUY with a rolled-over target price of RM6.50**, based on 35.0x 2025F PE, which is at the semiconductor production equipment industry's five-year mean. We believe such valuation is justified given its unique value proposition (its strategic exposure in the renewable energy, medical and EV industries offers better dynamics to weather cyclicity vs peers) as opposed to peers alongside its robust growth.

The valuation ascribed is still undermining the growth beyond 2024 which will be anchored by stable earnings from First Solar and the enormous potential from both the life sciences and semiconductor segments. Meanwhile, in terms of earnings up to 2025, a two-year net profit CAGR of 22% will be anchored by a resilient earnings base, superior growth outlook and its new business venture, not to mention the unique proposition with strategic exposure to the game-changing technologies.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

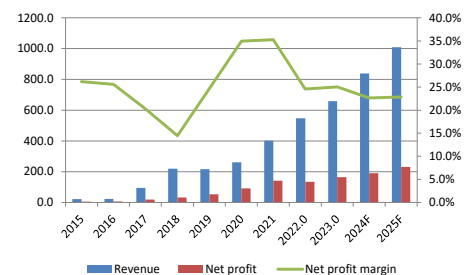
<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> - Its operations and production as a machine manufacturer are generally not energy-intensive. - New headquarters include energy-saving features like LED lighting and sensors to control and minimise energy usage in the building.
<ul style="list-style-type: none"> • Social <ul style="list-style-type: none"> - Contributed RM1.7m/RM2.9m in cash and in-kind to >25 charities, non-profit organisations and educational institutions across the region in 2020-21.
<ul style="list-style-type: none"> • Governance <ul style="list-style-type: none"> - The company has in place an Anti-Bribery and Anti-Corruption Policy. There were zero whistle-blowing and bribery instances in 2020.

REVENUE DRIVERS ASSUMPTIONS



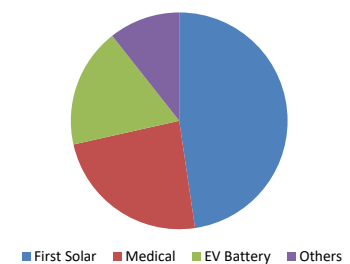
Source: Greatech, UOB Kay Hian

GROWTH AND MARGIN OUTLOOK



Source: Greatech, UOB Kay Hian

REVENUE BY PRODUCT (2024)



Source: Greatech, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Net turnover	659	839	1,009	1,265
EBITDA	182	235	283	352
Deprec. & amort.	15	28	32	37
EBIT	167	207	251	314
Associate contributions	0	0	0	0
Net interest income/(expense)	(1)	(1)	(1)	(1)
Pre-tax profit	166	207	251	313
Tax	(12)	(17)	(20)	(25)
Minorities	0	0	0	0
Net profit	154	190	231	288
Net profit (adj.)	165	190	231	288

CASH FLOW

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Operating	28	115	324	279
Pre-tax profit	166	207	251	313
Tax	(12)	(17)	(20)	(25)
Deprec. & amort.	15	28	32	37
Working capital changes	(149)	(109)	54	(54)
Non-cash items	1	1	1	1
Other operating cashflows	6	6	6	6
Investing	(164)	(120)	(120)	(120)
Capex (growth)	(162)	(120)	(120)	(120)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	(2)	0	0	0
Financing	(2)	(1)	(1)	(1)
Dividend payments	0	0	0	0
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	(2)	0	0	0
Others/interest paid	0	(1)	(1)	(1)
Net cash inflow (outflow)	(137)	(5)	203	158
Beginning cash & cash equivalent	320	181	176	379
Changes due to forex impact	(1)	0	0	0
Ending cash & cash equivalent	181	176	379	536

BALANCE SHEET

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Fixed assets	345	438	526	609
Other LT assets	110	110	110	110
Cash/ST investment	181	176	379	536
Other current assets	360	375	444	506
Total assets	996	1,099	1,459	1,761
ST debt	2	2	2	2
Other current liabilities	216	128	258	272
LT debt	13	13	13	13
Other LT liabilities	15	15	15	15
Shareholders' equity	751	941	1,172	1,460
Minority interest	0	0	0	0
Total liabilities & equity	996	1,099	1,459	1,761

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	27.7	30.8	33.7	33.4
Pre-tax margin	25.2	27.1	29.8	29.7
Net margin	23.4	24.9	27.4	27.3
ROA	15.9	18.1	18.0	17.9
ROE	23.1	22.5	21.8	21.9
Growth				
Turnover	20.6	27.4	20.2	25.4
EBITDA	31.3	28.7	20.7	24.3
Pre-tax profit	29.9	24.4	21.3	24.8
Net profit	17.0	23.1	21.3	24.8
Net profit (adj.)	22.7	15.2	21.3	24.8
EPS	22.7	15.2	21.3	24.8
Leverage				
Debt to total capital	1.9	1.5	1.2	1.0
Debt to equity	1.9	1.5	1.2	1.0
Net debt/(cash) to equity	(22.2)	(17.1)	(31.1)	(35.8)
Interest cover (x)	243.0	449.8	338.9	249.7

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2024, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W