

### ASEAN GEMS CORPORATE HIGHLIGHTS

#### Greotech Technology (GREATEC MK)

Charting Next Growth Phase Via Two-pronged Approach

Greotech recently closed the year on a record quarter despite industry-wide challenges. The latest orderbook backlog stood at RM760m, with the group aiming to secure another RM800m in 2023. To drive huge quantum leaps in terms of earnings as well as market cap, management does not discount the possibility of synergy integration for technology advancement and IP/market/customer expansion. Maintain BUY. Target Price: RM6.30.

#### WHAT'S NEW

- RM760m orderbook backlog to last until 1H24; targeting to secure RM800m in new orders in 2023.** Recall that Greotech Technology (Greotech) had previously secured c.RM50m worth of orders from its Lifescience customers, on top of the strong traction from the US incumbent solar customer following its massive expansion plans in Ohio, India and Alabama. Overall, orderbook backlog as of end-Feb 23 stood at RM760m, of which the majority came from solar, 1/3 from EV, with the remaining contributed from Lifescience and other industries that will last until 1H24. Meanwhile, management is targeting to secure another RM800m worth of potential jobs in 2023 with 50:31:13:6 share to be contributed by solar/EV/medical/others industries. We expect the blended job scope to render c.30% net profit margin in 2023 despite the ongoing challenges.
- Charting next growth phase via two-pronged approach.** To achieve a quantum leap in terms of earnings base as well as market cap, management shared its 10-year plan which encompasses both automation advancement as well as vertical integration for its four segments. For 2023-27, we understand that revenue growth will still be anchored predominantly by factory automation for the solar, e-mobility, life-science and semiconductor segments. For the next growth phase in 2028-32, management shared its aspiration of venturing into process automation, for which the group does not discount the possibility of synergy integration for technology advancement and IP/market/customer expansion.
- On track for huge expansion.** Greotech had recently broken ground on its new facility BK IV with a built-up area of 500k sqft, which will be constructed on an 11.58-acre site in Batu Kawan Industrial Park. With this latest addition, Greotech will officially possess a 1.2m sqft facility. The group has a total of 1288 employees and is in the midst of hiring an additional 500 employees by year-end to cater for the robust orders.

#### KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	402	546	735	875	1,095
EBITDA	153	139	240	301	373
Operating profit	146	128	218	273	339
Net profit (rep./act.)	142	132	224	280	348
Net profit (adj.)	138	132	224	280	348
EPS (sen)	11.0	10.5	17.9	22.4	27.8
PE (x)	44.3	46.3	27.2	21.8	17.6
P/B (x)	14.2	10.4	7.5	5.6	4.2
EV/EBITDA (x)	36.7	40.4	23.3	18.7	15.0
Dividend yield (n.a.)	n.a.	n.a.	n.a.	n.a.	n.a.
Net margin (%)	35.2	24.1	30.5	35.2	38.1
Net debt/(cash) to equity (%)	(69.1)	(52.0)	(62.4)	(57.9)	(61.5)
Interest cover (x)	229.0	246.1	316.8	282.2	262.9
ROE (%)	39.5	25.9	32.1	29.5	27.5
Consensus net profit	-	-	196	234	293
UOBKH/Consensus (x)	-	-	1.14	1.20	1.19

Source: Greotech, Bloomberg, UOB Kay Hian

### BUY

(Maintained)

Share Price	RM4.88
Target Price	RM6.30
Upside	+29.1%

#### COMPANY DESCRIPTION

Greotech 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):	1,252.8
Market cap (RMm):	6,113.8
Market cap (US\$m):	1,352.6
3-mth avg daily t'over (US\$m):	1.4

#### Price Performance (%)

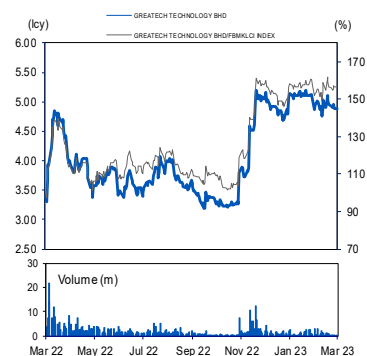
52-week high/low	RM5.19/RM3.19			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
(3.2)	(4.1)	38.6	51.1	0.8

#### Major Shareholders

	%
Gtech Holdings Sdn Bhd	65.4
LLH Holdings Sdn Bhd	2.5
Smartcap Venture	1.9

FY23 NAV/Share (RM)	0.65
FY23 Net Cash/Share (RM)	0.40

#### PRICE CHART



Source: Bloomberg

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### STOCK IMPACT

- **Clear technology roadmap for long-term structural trend.** We understand that the core revenue drivers for 2023-27 will still come from the solar, EV, life science and semiconductor segments, with the technological focus still coming from factory automation. For its semiconductor segment, the group has two new product developments (substrate and optics application) related to single automated equipment (high-value) in the Beta-Test phase. The group is talking to a few sizeable customers for the commercialisation of these products.
- **EV and medical segments to anchor further growth in 2023.** For EV, Greatech had previously signed non-disclosure agreements with a few new EV customers, which could warrant more orders (likely PLS) on top of the existing backlog orders. There were contributions from only two customers in 2021 and we expect contributions from three customers in 2023. Under its current portfolio, the group has secured three EV customers and is talking to traditional OEM and accessories related customers for PLS orders. For the highly-lucrative medical segment, it expects higher traction from 2023 onwards, where we believe the equipment could relate to high-precision assembly. To cater for the robust jobs potential, the group allocated RM120m in additional capex for a 500,000-sf facility, its fourth plant in Batu Kawan Industrial Park. Meanwhile, Greatech has commenced production at its Batu Kawan Plant (BKP) 1-3 (collectively 900,000sf) which can handle c.RM650m of orders.

### EARNINGS REVISION/RISK

- None.
- Key upside risks are: a) higher-than-expected orderbook secured from the renewable energy and EV battery segments, b) earlier-than-expected product commencement from the medical and semiconductor segments, and c) higher-than-expected orders delivery.

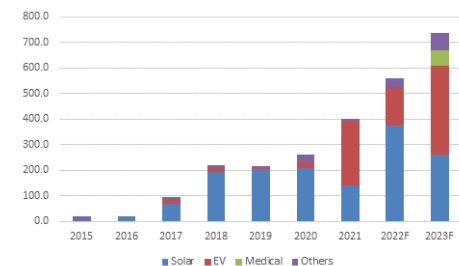
### VALUATION/RECOMMENDATION

- **Maintain BUY with an unchanged target price of RM6.30**, based on 35.0x 2023F PE, which is at the SPE industry's five-year mean. We believe such valuation is justified given its unique value proposition (strategic exposure in the renewable energy (RE), medical and EV industries offering better dynamics to weather cyclicity vs peers) as opposed to peers alongside its robust growth.
- The valuation ascribed is still undermining the growth beyond 2023 which will be anchored by stable earnings from First Solar and the enormous potential from both the automobile EV and medical segments. Meanwhile, in terms of earnings up to 2023, a two-year net profit CAGR of 28% will be anchored by a resilient earnings base, superior growth outlook and its new business venture, not to mention the unique proposition with the strategic exposure to the game-changing technologies

### ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

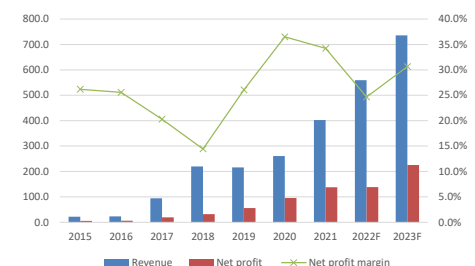
<ul style="list-style-type: none"> <li>• <b>Environmental</b> <ul style="list-style-type: none"> <li>- Its operations and production as a machine manufacturer are generally not energy-intensive.</li> <li>- New headquarters include energy-saving features like LED lighting and sensors to control and minimise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

### REVENUE DRIVERS ASSUMPTIONS



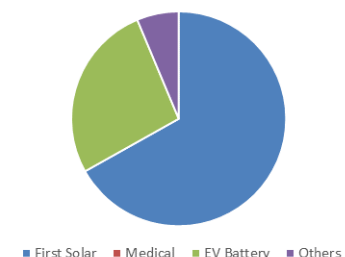
Source: Greatech, UOB Kay Hian

### GROWTH AND MARGIN OUTLOOK



Source: Greatech, UOB Kay Hian

### REVENUE BY PRODUCT (2023F)



Source: Greatech, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	546	735	875	1,095
EBITDA	139	240	301	373
Deprec. & amort.	10	22	28	35
EBIT	128	218	273	339
Associate contributions	0	0	0	0
Net interest income/(expense)	(1)	(1)	(1)	(1)
Pre-tax profit	128	218	272	337
Tax	4	7	8	11
Minorities	0	0	0	0
Net profit	132	224	280	348
Net profit (adj.)	132	224	280	348

### BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	194	292	384	469
Other LT assets	98	98	98	98
Cash/ST investment	320	521	647	900
Other current assets	335	387	416	473
<b>Total assets</b>	<b>947</b>	<b>1,298</b>	<b>1,545</b>	<b>1,941</b>
ST debt	1	1	1	1
Other current liabilities	333	459	426	474
LT debt	14	14	14	14
Other LT liabilities	13	13	13	13
Shareholders' equity	587	811	1,091	1,439
Minority interest	0	0	0	0
<b>Total liabilities &amp; equity</b>	<b>947</b>	<b>1,298</b>	<b>1,545</b>	<b>1,941</b>

### CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>109</b>	<b>322</b>	<b>247</b>	<b>375</b>
Pre-tax profit	128	218	272	337
Tax	4	7	8	11
Deprec. & amort.	10	22	28	35
Working capital changes	(33)	76	(61)	(8)
Non-cash items	1	1	1	1
Other operating cashflows	(1)	(1)	(1)	(1)
<b>Investing</b>	<b>(101)</b>	<b>(120)</b>	<b>(120)</b>	<b>(120)</b>
Capex (growth)	(101)	(120)	(120)	(120)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	0	0	0	0
<b>Financing</b>	<b>(2)</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>
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)
<b>Net cash inflow (outflow)</b>	<b>7</b>	<b>201</b>	<b>126</b>	<b>253</b>
Beginning cash & cash equivalent	314	320	521	647
Changes due to forex impact	(1)	0	0	0
<b>Ending cash &amp; cash equivalent</b>	<b>320</b>	<b>521</b>	<b>647</b>	<b>900</b>

### KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	25.4	32.7	37.8	40.9
Pre-tax margin	23.4	29.6	34.2	36.9
Net margin	24.1	30.5	35.2	38.1
ROA	17.0	20.0	19.7	19.9
ROE	25.9	32.1	29.5	27.5
<b>Growth</b>				
Turnover	35.8	34.6	19.0	25.1
EBITDA	(9.3)	73.3	25.0	24.2
Pre-tax profit	(11.9)	70.2	24.9	24.0
Net profit	(7.0)	70.2	24.9	24.0
Net profit (adj.)	(4.3)	70.2	24.9	24.0
EPS	(4.3)	70.2	24.9	24.0
<b>Leverage</b>				
Debt to total capital	2.5	1.8	1.4	1.0
Debt to equity	2.6	1.9	1.4	1.0
Net debt/(cash) to equity	(52.0)	(62.4)	(57.9)	(61.5)
Interest cover (x)	246.1	316.8	282.2	262.9

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