

### COMPANY RESULTS

## Greatech (GREATEC MK)

9M23: In Line; Record Orderbook A Positive Surprise

Results were in line on record high revenue and earnings. The record-high orderbook of RM1.07b (mostly from solar, followed by EV and life science) was a positive surprise and is expected to last until 1H25. Meanwhile, expansion is on track with the group scouting for new lands to support aggressive uptake from solar, e-mobility and life science customers. We trimmed 2023 earnings by 5% for house-keeping purposes. Maintain BUY on Greatech. Target price: RM6.20.

### 9M23 RESULTS

Year to 31 Dec (RMm)	3Q23	qoq% chg	yoy % chg	9M23	yoy % chg
Revenue	224.8	35.8	43.3	504.1	33.7
Gross profit	63.8	71.5	28.7	146.0	29.5
EBITDA	54.3	15.2	23.1	132.9	27.2
Operating profit	50.3	15.5	21.5	121.9	25.5
Finance cost	(0.2)	1.9	19.0	(0.5)	24.7
Pre-tax profit	50.1	15.5	21.5	121.4	25.5
Net Profit	46.7	21.8	13.9	112.8	17.8
Core Net Profit	50.8	27.2	34.8	125.1	32.4
Margins (%)	qoq ppt chg	yoy ppt chg	yoy ppt chg	yoy ppt chg	yoy ppt chg
Gross Profit	28.4	5.9	(3.2)	29.0	(0.9)
EBITDA	24.2	(4.3)	(4.0)	26.4	(1.3)
PBT	22.3	(3.9)	(4.0)	24.1	(1.6)
Net profit	20.8	(2.4)	(5.4)	22.4	(3.0)
Core Net Profit	22.6	(1.5)	(1.4)	24.8	(0.2)

Source: Greatech, UOB Kay Hian

### RESULTS

• **Within expectations on record revenue and earnings.** Greatech Technology (Greatech) reported 3Q23 core net profit of RM50.8m (+27% qoq, +35% yoy), bringing 9M23 core net profit to RM125.1m (+32%) which made up 69%/70% of our/consensus estimates. We deem the results to be in line as we expect the strong momentum to spill over into 4Q23, backed by its solid orderbook. Note that 3Q23 revenue and earnings were at record highs thanks to the strong traction from the e-mobility, life science and solar industries. While weaker margin was observed during the quarter due to lower profitability in the project phase and higher taxation with the expiry of pioneer status, we expect margin recovery upon normalisation.

### KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	402	546	710	889	1,065
EBITDA	153	139	192	252	308
Operating profit	146	128	170	224	274
Net profit (rep./act.)	142	132	168	222	271
Net profit (adj.)	142	134	168	222	271
EPS (sen)	11.3	10.7	13.4	17.8	21.7
PE (x)	41.6	43.9	35.1	26.5	21.8
P/B (x)	13.7	10.1	7.8	6.0	4.7
EV/EBITDA (x)	35.8	39.4	28.6	21.7	17.8
Dividend yield (n.a.)	n.a.	n.a.	n.a.	n.a.	n.a.
Net margin (%)	35.2	24.1	23.7	27.5	30.5
Net debt/(cash) to equity (%)	(69.1)	(52.0)	(57.3)	(49.5)	(53.6)
Interest cover (x)	229.0	246.1	277.8	294.1	285.8
ROE (%)	39.5	25.9	25.1	25.7	24.4
Consensus net profit	-	-	179	211	239
UOBKH/Consensus (x)	-	-	0.94	1.06	1.13

Source: Greatech, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	RM4.71
Target Price	RM6.20
Upside	+31.6%

### 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):	1,254.2
Market cap (RMm):	5,907.3
Market cap (US\$m):	1,262.1
3-mth avg daily t'over (US\$m):	0.7

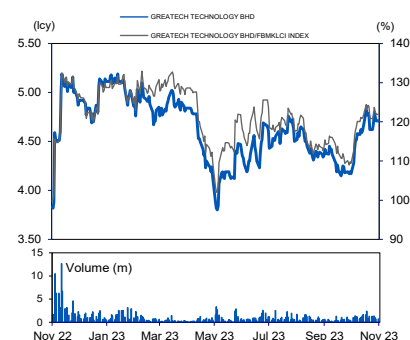
### Price Performance (%)

52-week high/low	RM5.19/RM3.80			
1mth	3mth	6mth	1yr	YTD
12.4	1.7	12.4	26.3	(2.7)

### Major Shareholders

Gtech Holdings Sdn Bhd	61.3
AIA Bhd	3.5
Lembaga Tabung Haji	2.9
FY23 NAV/Share (RM)	0.60
FY23 Net Cash/Share (RM)	0.35

### PRICE CHART



Source: Bloomberg

### ANALYST(S)

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• **9M23 revenue increased 34% yoy**, predominantly driven by new capital investment plans from its solar customer and the commercialisation of new production line system (PLS) from the e-mobility, life science and solar industries. Despite higher employee expenses and higher taxation, core profit margin remained stable at 24.8%, cushioned by better contribution from the higher margin life science segment.

• **3Q23 revenue soared 36% qoq** on higher PLS revenue contribution from the e-mobility and solar industries. That said, net profit grew by a narrower quantum of 27% qoq due to higher forex losses.

### STOCK IMPACT

• **Record orderbook of RM1.07b to last until 1H25.** Note that Greatech had secured >RM72m worth of new orders from its life science customers, on top of the strong traction from its US incumbent solar customer following its massive expansion plans in Ohio, India and Alabama. Overall, orderbook backlog as of 10 Nov 23 stood at a record quantum of RM1.07b, with more than half coming from solar, followed by e-mobility, life science and semiconductor automation. This will last until 1H25. Meanwhile, the management remains confident in securing sizeable jobs in 2024 which we believe could be anchored by solar/EV/medical/semiconductor automation. Note that most tenders have been submitted in proportion to the segmental allocation.

• **Charting next growth phase via multi-pronged approach.** To cater for the ongoing global demand for climate sustainability solutions and decarbonisation efforts, Greatech is scouting for new land (5 acres) to house CNC and metal fabrication in supporting its solar customer's aggressive expansion. It is also looking to acquire additional new land (7 acres) following the wider solution offerings to its new and existing life science customers. Meanwhile, with the group's ambitions in spearheading both automation advancement as well as vertical integration for its four key segments, management is currently exploring the most cost-effective collaborations for synergy integration in technology advancement and IP/market/customer expansion beyond the US.

### EARNINGS REVISION/RISK

• After model updates, our 2023 earnings estimates have been trimmed by 5% for house-keeping purposes.

### VALUATION/RECOMMENDATION

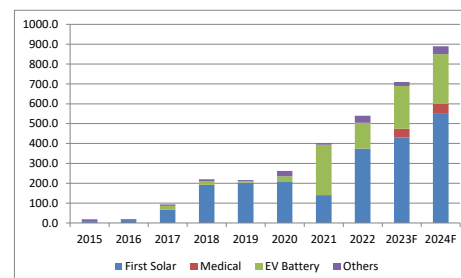
• **Maintain BUY with an unchanged target price of RM6.20**, still based on 35.0x 2024F PE, which is at the SPE industry's five-year mean. We believe such valuation is justified given its unique value proposition (strategic exposure in the renewable energy (RE), medical and EV industries offers better dynamics to weather cyclicity vs peers) as opposed to peers alongside its robust growth.

• The valuation ascribed is still undermining the growth beyond 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 2024, a two-year net profit CAGR of 30% 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)

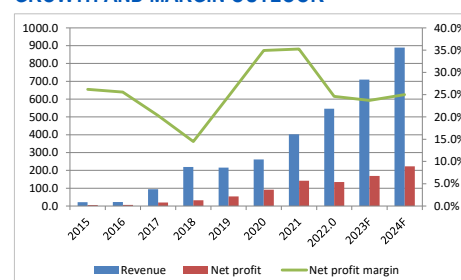
<p>• <b>Environmental</b></p> <ul style="list-style-type: none"> <li>- Its operations and production as a machine manufacturer are generally not energy-intensive.</li> <li>- New headquarters include energy-saving features like LED lighting and sensors to control and minimise the energy usage in the building.</li> </ul>
<p>• <b>Social</b></p> <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>
<p>• <b>Governance</b></p> <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>

### REVENUE DRIVERS ASSUMPTIONS



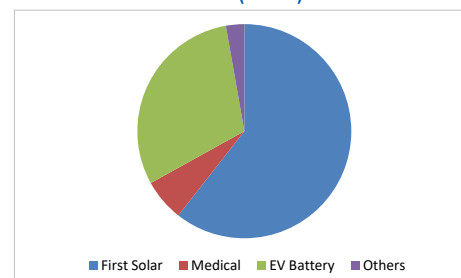
Source: Greatech, UOB Kay Hian

### 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
<b>Net turnover</b>	<b>546</b>	<b>710</b>	<b>889</b>	<b>1,065</b>
EBITDA	139	192	252	308
Deprec. & amort.	10	22	28	35
EBIT	128	170	224	274
Associate contributions	0	0	0	0
Net interest income/(expense)	(1)	(1)	(1)	(1)
<b>Pre-tax profit</b>	<b>128</b>	<b>169</b>	<b>224</b>	<b>272</b>
Tax	4	(1)	(1)	(1)
Minorities	0	0	0	0
<b>Net profit</b>	<b>132</b>	<b>168</b>	<b>222</b>	<b>271</b>
Net profit (adj.)	134	168	222	271

### CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>109</b>	<b>248</b>	<b>172</b>	<b>306</b>
Pre-tax profit	128	169	224	272
Tax	4	(1)	(1)	(1)
Deprec. & amort.	10	22	28	35
Working capital changes	(33)	58	(78)	0
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>127</b>	<b>51</b>	<b>185</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>314</b>	<b>320</b>	<b>447</b>	<b>499</b>
Changes due to forex impact	(1)	0	0	0
<b>Ending cash &amp; cash equivalent</b>	<b>320</b>	<b>447</b>	<b>499</b>	<b>684</b>

### 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	447	499	684
Other current assets	335	383	422	469
<b>Total assets</b>	<b>947</b>	<b>1,219</b>	<b>1,403</b>	<b>1,720</b>
ST debt	1	1	1	1
Other current liabilities	333	437	398	444
LT debt	14	14	14	14
Other LT liabilities	13	13	13	13
Shareholders' equity	587	755	977	1,248
Minority interest	0	0	0	0
<b>Total liabilities &amp; equity</b>	<b>947</b>	<b>1,219</b>	<b>1,403</b>	<b>1,720</b>

### KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	25.4	27.0	31.2	34.7
Pre-tax margin	23.4	23.8	27.7	30.7
Net margin	24.1	23.7	27.5	30.5
ROA	17.0	15.5	17.0	17.4
ROE	25.9	25.1	25.7	24.4
<b>Growth</b>				
Turnover	35.8	29.9	25.3	19.8
EBITDA	(9.3)	38.1	31.5	22.2
Pre-tax profit	(11.9)	32.1	32.3	21.9
Net profit	(7.0)	27.5	32.3	21.9
Net profit (adj.)	(5.2)	25.1	32.3	21.9
EPS	(5.2)	25.1	32.3	21.9
<b>Leverage</b>				
Debt to total capital	2.5	2.0	1.5	1.2
Debt to equity	2.6	2.0	1.5	1.2
Net debt/(cash) to equity	(52.0)	(57.3)	(49.5)	(53.6)
Interest cover (x)	246.1	277.8	294.1	285.8

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