2QFY22 Results Review (Below) | Wednesday, 27 July 2022

Globetronics Technology Berhad

(7022 | GTB MK) Technology | Semiconductors

***Maintain* BUY**

Positive momentum

***Revised* Target Price: RM1.94**

(Previously: RM2.00)

KEY INVESTMENT HIGHLIGHTS

- **2QFY22 normalised earnings improved to RM9.8m due to better products' mix achieved**
- **This led to 1HFY22 normalised earnings of RM18.7m (+11.6yoy) which came in below our expectations**
- **Earnings forecast revised downwards**
- **Maintain BUY with lower TP of RM1.94**

Growth in earnings. Globetronics Technology Bhd (GTB) 2QFY22 normalised earnings were RM9.8m, up +10.2%qoq from RM8.9m in the previous quarter. The encouraging earnings increase was driven by greater topline growth of +11.7%qoq to RM47.6m as a result of larger volume loadings of products and superior economies of scale from the majority of the Group's customers. On a year-to-year basis, GBT's earnings managed to improve by +75.5%yoy, thanks to the better product's mix achieved.

Below our expectation. Cumulatively, 1HFY22 normalised earnings totaled RM18.7m, falling short of ours and consensus' expectations, accounting for 32% and 36% of earnings estimates respectively. The negative deviation could be attributed to lower volume loadings from certain of the Group's customers. GBT reported a lower revenue of RM90.3m the period under review, compared to RM101.8m in the same period previous year. Note that sales from Southeast Asia segment declined to RM87.2m (-9.2%yoy) compared RM96.0m in 1HFY21. Moreover, the North America segment posted a -47.3%yoy contraction in sales to RM3.0m. Nevertheless, normalized earnings grew by +11.6%yoy to RM18.7m despite lower revenue as the impact of lower volume loadings offset by products' mix change.

Earnings revised. As 1HFY22 earnings missed our estimate, we revise our earnings for FY22/23F downwards by -12% to -13%. Corresponding to the downward revision in earnings, our target price is revised to RM1.94 from RM2.00. Note that we roll forward our valuation base year to FY23. The revised target price is premised on pegging FY23 EPS of 9.0sen against its two-year historical average PER of 21.5x.

Maintain BUY. We opine GTB prospects are still solid in the long term as the group's expertise in high tech sensor products could be leveraged onto various applications. Moving forward, we expect a more consistent earnings growth. This would be mainly supported by the group's new generation of smart sensors which include light, gesture and motion sensors. In addition, recovery in automotive market would also be positive to the group's LED business. All factors considered, we are maintaining our **BUY** recommendation for GTB with a revised target price of **RM1.94.**

RETURN STATISTICS	
Price @ 26th July 2022 (RM)	1.18
Expected share price return (%)	+64.4
Expected dividend yield (%)	+8.1
Expected total return (%)	**+72.5**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-1.6	-3.4
3 months	-0.8	-11.7
12 months	-46.4	-44.5

KEY STATISTICS	
FBM KLCI	1,463.69
Syariah compliant	Yes
F4BGM Index	No
ESG Grading Band (Star rating)	☆☆☆
Issue shares (m)	669.44
Estimated free float (%)	51.39
Market Capitalisation (RM'm)	789.94
52-wk price range	RM1.08–RM2.22
Beta vs FBM KLCI (x)	0.48
Monthly velocity (%)	7.63
Monthly volatility (%)	18.40
3-mth average daily volume (m)	0.77
3-mth average daily value (RM'm)	0.97
Top Shareholders (%)	
Employees Provident Fund Board	18.72
GENERAL PRODUCE AGENCY SDN BHD	7.14
Ng Kweng Chong	5.45

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INVESTMENT STATISTICS

Financial year ending 31st December (in RM'm, unless otherwise stated)	2019	2020	2021	2022F	2023F
Revenue	216.3	227.5	206.0	227.3	242.0
EBITDA	42.8	49.3	80.8	49.5	58.2
PBT	46.0	52.0	55.5	53.7	63.7
PAT	44.7	50.8	52.9	51.6	60.5
Normalised PAT	44.4	50.1	49.6	51.6	60.5
Normalised EPS (sen)	6.6	7.5	7.4	7.7	9.0
Normalised EPS Growth (%)	-35.8	12.7	-1.1	4.2	17.3
PER (x)	17.8	15.8	15.9	15.3	13.1
Dividend Per Share (sen)	7.5	7.5	8.0	8.5	9.5
Dividend yield (%)	6.4	6.4	6.8	7.2	8.1

Source: Company, MIDFR

GLOBETRONICS TECHNOLOGY BHD: 2QFY22 RESULTS SUMMARY

Financial year ending 31st December (in RM'm, unless otherwise stated)	Quarterly			Cumulative		
	2Q22	% YoY	% QoQ	1H22	1H21	%YoY
Revenue	47.6	2.7	11.7	90.3	101.8	-11.3
EBITDA	22.9	64.8	49.9	38.2	35.8	6.8
Depreciation and amortisation	-11.7	67.1	107.6	-17.3	-16.3	5.8
EBIT	11.3	62.6	16.4	20.9	19.4	7.6
Finance cost	0.0	n.m.	n.m.	0.0	0.0	n.m.
Finance income	0.6	13.5	38.0	1.0	0.9	5.9
Associate's contribution	0.0	n.m.	n.m.	0.0	0.0	n.m.
PBT	11.8	59.3	17.3	21.9	20.4	7.6
Income tax	-0.6	-45.8	0.2	-1.3	-1.6	-19.4
PAT	11.2	79.0	18.4	20.6	18.8	9.8
Normalised PAT	9.8	75.5	10.2	18.7	16.8	11.6
Normalised EPS (sen)	1.5	75.5	10.2	2.8	2.5	11.6
		+/-ppts				+/-ppts
EBITDA margin (%)	48.1	18.1	12.3	42.3	35.1	7.2
EBIT margin (%)	23.6	8.7	0.9	23.2	19.1	4.1
Normalised PAT margin (%)	20.6	8.6	-0.3	20.8	16.5	4.3
Effective tax rate (%)	5.4	-10.4	-0.9	5.8	7.7	-1.9

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26% - 50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51% - 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology