Globetronics Technology Berhad

(7022 | GTB MK) Technology | Semiconductors

***Maintain* BUY**

Lower Volume Loadings

***Revised* Target Price: RM1.31**

(Previously: RM1.94)

KEY INVESTMENT HIGHLIGHTS

- **3QFY22 normalised earnings slipped to RM8.9m due to lower volume loadings from some of the Group's customers**
- **9MFY22 normalised earnings of RM27.6m missed expectations**
- **Earnings forecast revised downwards**
- **Maintain BUY with lower TP of RM1.31**

Lower volume loadings. Globetronics Technology Bhd (GTB) 3QFY22 normalised earnings were recorded at RM8.9m (-9.4%qoq) compared to 2QFY22 at RM9.8m. The drop in earnings was mainly due to lower volume loadings from some of the Group's customers and higher tax expenses. On yearly basis, GBT's normalised earnings dropped by -42.2%yoy, attributed to lower volume loadings from certain of the Group's customers coupled with a drop of economy of scale.

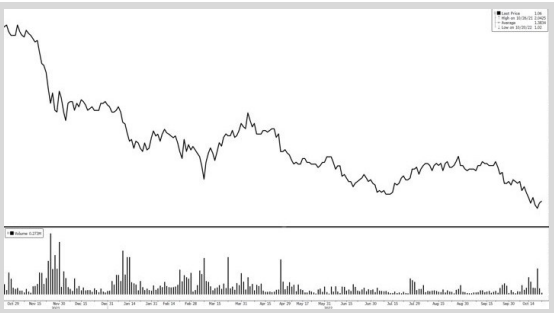
Missed expectation. Cumulatively, 9MFY22 normalised earnings totaled RM27.6m, falling short of ours and consensus' expectations, accounting for 54% and 58% of earnings estimates respectively. The negative deviation was due to lower than expected volume loadings from certain of the Group's customers. Note that sales from Southeast Asia segment declined to RM131.7m (-12.1%yoy) compared RM149.9m in 2HFY21. Meanwhile, the North America segment posted a -40.5%yoy contraction in sales to RM4.4m from RM7.4m in 2HFY21.

Earnings revised. As 9MFY22 earnings came in below our earnings estimates, we cut our earnings estimates for FY22/23F downwards by -24% to -38%. Corresponding to the downward revision in earnings, our target price is revised to RM1.31 from RM1.94. The revised target price is premised on pegging FY23 revised EPS of 6.9sen against PER of 19x, slightly lower than its two-year historical average PER of 20.6x.

Maintain BUY. GTB long term outlook is still firm due to the group's expertise in high tech sensor products, which are used into various sectors and applications. We are still expecting a more consistent earnings growth moving forward due to growing adoption of smart sensors across vertical markets. Additionally, 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 lower target price of **RM1.31.**

RETURN STATISTICS	
Price @ 25th Oct 2022 (RM)	1.06
Expected share price return (%)	+23.6
Expected dividend yield (%)	+8.0
Expected total return (%)	**+31.6**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-15.2	-16.3
3 months	-9.4	-8.8
12 months	-48.9	-43.8

KEY STATISTICS	
FBM KLCI	1,444.41
Syariah compliant	Yes
F4BGM Index	No
ESG Grading Band (Star rating)	☆☆☆
Issue shares (m)	669.44
Estimated free float (%)	52.03
Market Capitalisation (RM'm)	709.61
52-wk price range	1.02 - 2.10
Beta vs FBM KLCI (x)	0.56
Monthly velocity (%)	7.63
Monthly volatility (%)	19.33
3-mth average daily volume (m)	0.76
3-mth average daily value (RM'm)	0.90
Top Shareholders (%)	
Employees Provident Fund Board	18.92
GENERAL PRODUCE AGENCY SDN BHD	7.14
Ng Kweng Chong	5.47

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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	206.1	221.0
EBITDA	42.8	49.3	80.8	28.9	42.7
PBT	46.0	52.0	55.5	33.1	48.2
PAT	44.7	50.8	52.9	31.8	46.3
Normalised PAT	44.4	50.1	49.6	31.8	46.3
Normalised EPS (sen)	6.6	7.5	7.4	4.8	6.9
Normalised EPS Growth (%)	-35.8	12.7	-1.1	-35.8	45.5
PER (x)	16.0	14.2	14.3	22.3	15.3
Dividend Per Share (sen)	7.5	7.5	8.0	8.5	9.5
Dividend yield (%)	7.1	7.1	7.5	8.0	9.0

Source: Company, MIDFR

GLOBETRONICS TECHNOLOGY BHD: 3QFY22 RESULTS SUMMARY

Financial year ending 31st December (in RM'm, unless otherwise stated)	Quarterly			Cumulative		
	3Q22	% YoY	% QoQ	9M22	9M21	%YoY
Revenue	46.0	-17.3	-3.4	136.3	157.5	-13.4
EBITDA	19.3	72.8	-15.7	57.5	57.9	-0.6
Depreciation and amortisation	-4.7	-16.1	-59.3	-22.0	-22.0	0.2
EBIT	14.6	164.0	29.4	35.5	35.9	-1.1
Finance cost	0.0	n.m.	n.m.	0.0	0.0	n.m.
Finance income	0.7	67.9	31.4	1.7	1.5	15.6
Associate's contribution	-0.2	n.m.	n.m.	-0.2	0.1	n.m.
PBT	15.1	151.1	27.5	37.0	37.5	-1.4
Income tax	-2.3	160.5	260.8	-3.6	-2.5	45.1
PAT	12.8	-21.4	14.2	33.4	35.1	-4.7
Normalised PAT	8.9	-42.2	-9.4	27.6	32.2	-14.1
Normalised EPS (sen)	1.3	-42.2	-9.4	4.1	2.5	64.6
EBITDA margin (%)	41.9	21.9	-6.2	42.2	36.8	5.4
EBIT margin (%)	31.6	21.7	8.0	26.0	22.8	3.2
Normalised PAT margin (%)	19.3	-8.3	-1.3	20.3	20.4	-0.2
Effective tax rate (%)	15.2	0.5	9.8	9.6	6.6	3.1

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