# Globetronics Technology Berhad

(7022 | GTB MK) Technology | Semiconductors

***Maintain* BUY**

## Volume Loadings Remains Softer

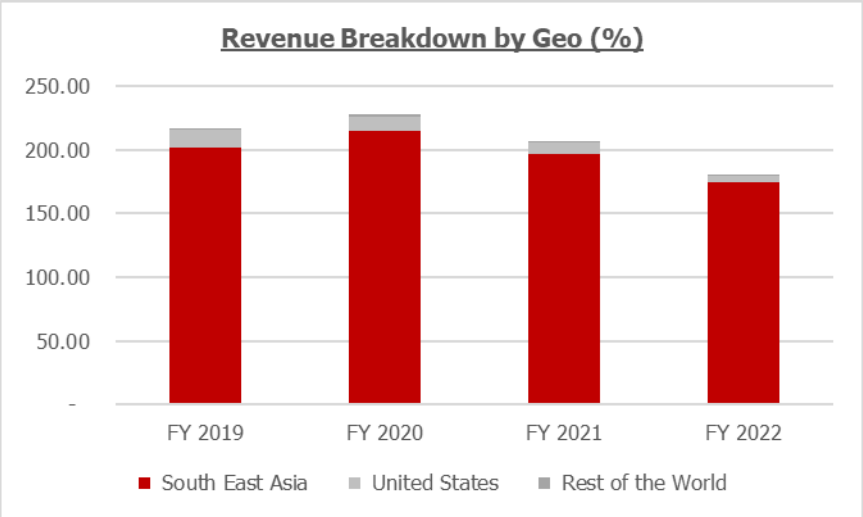
***Unchanged* Target Price: RM1.31**

## KEY INVESTMENT HIGHLIGHTS

- **4QFY22 normalised earnings declined to RM14.2m due to reduction in volume loadings from specific customers of the Group**
- **FY22 normalised earnings of RM41.9m met consensus' but exceeded our expectations**
- **Earnings forecast revised**
- **Maintain BUY with unchanged TP of RM1.31**

**Volume loadings.** Globetronics Technology Bhd (GTB) 4QFY22 normalised earnings came in at RM14.2m (+59.7%qoq) compared to 3QFY22 at RM8.9m. The earnings increase was mainly caused by better volume loadings from specific customers of the Group. Meanwhile on yearly basis, GBT experienced a -18.4%yoy reduction in its normalised earnings, which attributed to a decline in volume loadings from specific customers, along with a decrease in economy of scale and higher tax expenses.

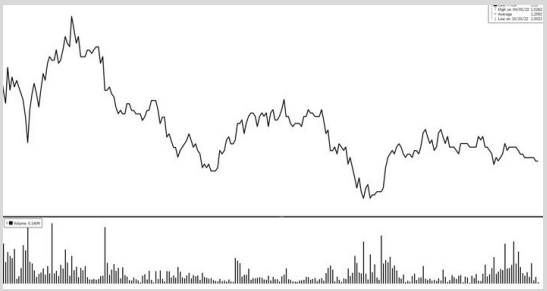
**Earnings above our expectation.** Cumulatively, FY22 normalised earnings totaled RM41.9m, met consensus but exceeded our expectations, accounting for 100% and 132% of earnings estimates respectively. The positive deviation was due to higher-than-expected volume loadings from certain of the Group's customers. Overall, FY22 normalised earnings was lower at RM41.9m (-15.6%yoy) due to lower volume loading. Sales from Southeast Asia segment declined to RM173.9m (-11.6%yoy) in FY22 compared RM196.7m in FY21. Meanwhile, the North America segment posted a -37.0%yoy contraction in sales to RM5.7m in FY22 from RM9.1m in FY21.




*Source: Company, MIDFR*

| RETURN STATISTICS | |
|---|---|
| Price @ 21st Feb 2023 (RM) | 1.10 |
| Expected share price return (%) | +19.1 |
| Expected dividend yield (%) | +9.5 |
| **Expected total return (%)** | **+28.6** |

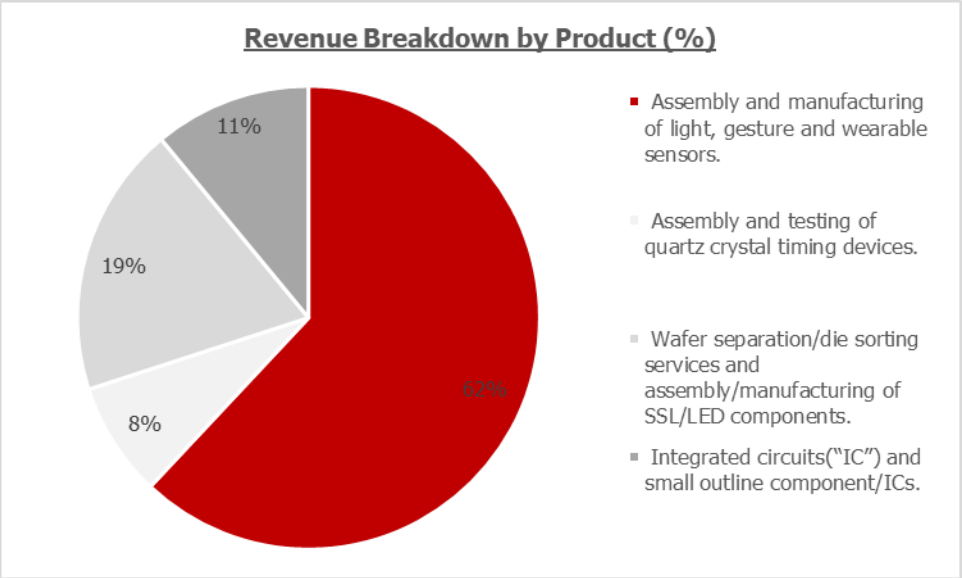
**SHARE PRICE CHART**



| Share price performance (%) | Absolute | Relative |
|---|---|---|
| 1 month | -0.9 | 0.9 |
| 3 months | -5.2 | -5.2 |
| 12 months | -18.3 | -12.3 |

| KEY STATISTICS | |
|---|---|
| FBM KLCI | 1,474.01 |
| Syariah compliant | Yes |
| F4BGM Index | No |
| ESG Grading Band (Star rating) | ☆☆☆ |
| Issue shares (m) | 669.44 |
| Estimated free float (%) | 59.11 |
| Market Capitalisation (RM'm) | 736.39 |
| 52-wk price range (RM) | 1.00 - 1.55 |
| Beta vs FBM KLCI (x) | 0.71 |
| 3-mth average daily volume (m) | 0.94 |
| 3-mth average daily value (RM'm) | 1.07 |
| Top Shareholders (%) | |
| Employees Provident Fund Board | 16.37 |
| GENERAL PRODUCE AGENCY SDN BHD | 7.14 |
| Ng Kweng Chong | 5.41 |

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*Source: Company, MIDFR*

**Earnings revised.** Since FY22 earnings beat our earnings estimates, we raise our earnings estimates for FY23F by +3.4% and introduce our FY24F estimates. Despite raising our earnings, we keep our target price of RM1.31 unchanged due to pegging our new FY23 EPS of 7.15sen against lower PER of 18.3x which is in line with its five-year historical average PER of 19x. We hold the opinion that the current valuation of the company is justifiable given the short term weakened demand in the end market impacted by the inflation. We think this will remain the case until inflation subsides.

**Maintain BUY.** Overall, mid to long term future prospects for GTB remain strong thanks to the company's proficiency in cutting-edge sensor technology, which is applied across a diverse range of industries and uses. As demand for smart sensors increases in various markets, we anticipate more stable earnings growth in the future. Moreover, a rebound in the automotive sector would have a positive impact on GTB's LED business. All factors considered, we are maintaining our **BUY** recommendation for GTB with an unchanged target price of **RM1.31.**

## INVESTMENT STATISTICS

| Financial year ending 31st December (in RM'm, unless otherwise stated) | 2020A | 2021A | 2022A | 2023F | 2024F |
|---|---|---|---|---|---|
| Revenue | 227.5 | 206.0 | 179.4 | 221.5 | 228.1 |
| EBITDA | 49.3 | 80.8 | 77.8 | 44.4 | 50.9 |
| PBT | 52.0 | 55.5 | 51.3 | 49.8 | 57.5 |
| PAT | 50.8 | 52.9 | 45.5 | 47.9 | 54.7 |
| Normalised PAT | 50.1 | 49.6 | 41.9 | 47.9 | 54.7 |
| Normalised EPS (sen) | 7.5 | 7.4 | 6.3 | 7.1 | 8.2 |
| Normalised EPS Growth (%) | 12.7 | -1.1 | -15.5 | 14.3 | 14.2 |
| PER (x) | 14.2 | 14.3 | 17.6 | 15.4 | 13.5 |
| Dividend Per Share (sen) | 7.5 | 8.0 | 7.0 | 9.5 | 10.5 |
| Dividend yield (%) | 7.1 | 7.5 | 6.4 | 8.6 | 9.5 |

*Source: Company, MIDFR*

## GLOBETRONICS TECHNOLOGY BHD: 4QFY22 RESULTS SUMMARY

| Financial year ending 31st December (in RM'm, unless otherwise stated) | Quarterly | | | Cumulative | | |
|---|---|---|---|---|---|---|
| | 4Q22 | % YoY | % QoQ | FY22 | FY21 | %YoY |
| Revenue | 43.1 | -11.4 | -6.5 | 179.4 | 206.0 | -13.0 |
| | | | | | | |
| EBITDA | 20.3 | -15.9 | 5.0 | 77.8 | 82.0 | -5.1 |
| Depreciation and amortisation | -5.3 | -3.7 | 12.5 | -27.4 | -27.5 | -0.6 |
| EBIT | 14.9 | -19.5 | 2.6 | 50.4 | 54.4 | -7.4 |
| Finance cost | 0.0 | n.m. | n.m. | 0.0 | 0.0 | n.m. |
| Finance income | -1.0 | 54.2 | -233.8 | 0.7 | 0.8 | -13.9 |
| Associate's contribution | 0.4 | n.m. | n.m. | 0.1 | 0.2 | n.m. |
| PBT | 14.3 | -20.4 | -5.2 | 51.3 | 55.5 | -7.6 |
| Income tax | -2.2 | n.m. | n.m. | -5.8 | -2.5 | n.m. |
| PAT | 12.0 | -32.7 | -5.7 | 45.5 | 52.9 | -14.1 |
| Normalised PAT | 14.2 | -18.4 | 59.7 | 41.9 | 49.6 | -15.6 |
| | | | | | | |
| Normalised EPS (sen) | 1.5 | -43.3 | -40.7 | 6.3 | 7.4 | -15.6 |
| | | | | | | |
| EBITDA margin (%) | 47.1 | -2.5 | 5.2 | 43.4 | 39.8 | 3.6 |
| EBIT margin (%) | 34.7 | -3.5 | 3.1 | 28.1 | 26.4 | 1.7 |
| Normalised PAT margin (%) | 22.9 | -12.9 | -13.2 | 23.3 | 24.1 | -0.7 |
| Effective tax rate (%) | 15.7 | 15.3 | 0.5 | 11.3 | 4.5 | 6.8 |

*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