



Company report

GLOBETRONICS TECHNOLOGY

(GTB MK EQUITY, GNIC.KL)

3 May 2021

Expect softer 2Q before pick-up in 2H

BUY

(Maintained)

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Rationale for report: Company update

Price	RM2.24
Fair Value	RM2.84
52-week High/Low	RM3.41/RM1.80

Key Changes

Fair value	↔
EPS	↔

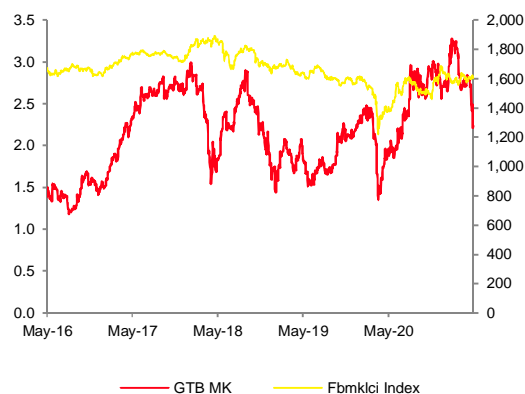
YE to Dec	FY20	FY21F	FY22F	FY23F
Revenue (RM mil)	227.5	338.2	383.1	436.2
Core net profit (RM mil)	50.4	70.2	79.1	89.7
FD Core EPS (sen)	7.5	10.5	11.8	13.4
FD Core EPS growth (%)	12.2	39.4	12.6	13.4
Consensus Net Profit (RM mil)	-	62.3	73.8	80.7
DPS (sen)	7.5	8.0	9.0	9.5
PE (x)	29.8	21.4	19.0	16.7
EV/EBITDA (x)	14.8	12.0	10.6	9.4
Div yield (%)	3.3	3.6	4.0	4.2
ROE (%)	17.1	23.0	24.5	26.0
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	669.4
Market Cap (RM mil)	1,499.6
Book Value (RM/share)	0.44
P/BV (x)	5.0
ROE (%)	17.1
Net Gearing (%)	-

Major Shareholders	EPF (17.9%) CIMB Group Holdings (7.3%) General Produce Agency Sdn Bhd (7.1%)
Free Float	63.2
Avg Daily Value (RM mil)	13.1

Price performance	3mth	6mth	12mth
Absolute (%)	(29.3)	(20.4)	16.3
Relative (%)	(30.1)	(27.4)	2.2



Investment Highlights

- **We maintain our BUY recommendation on Globetronics Technology (GTB) with unchanged fair value of RM2.84/share, pegged to an FY22F PE of 24x.** There is no price adjustment for ESG based on our 3-star rating appraised (Exhibit 5).
- **We have tweaked our FY21F and FY23F forecasts by +1% and -3% respectively to account for slight changes in volume assumptions for the group's different product segments while FY22F forecasts remain unchanged.**
- **Key updates from GTB's 1QFY21 conference call:**
 - **Results summary:** 1QFY21 core profit of RM11mil rose 16% YoY due to higher volume loadings for smart sensors and quartz crystal timing devices (QCTD) which led to better economies of scale. Meanwhile, core profit fell by 31% QoQ on lower volume loadings leading to smaller economies of scale mainly due to seasonality of sensor product volumes. The breakdown of GTB's revenue by product is shown in Exhibit 1.
 - **2QFY21 outlook:** Its key sensor segment is expected to see overall soft volume loadings for the next quarter, where light sensor volumes are expected to decline by 15% at around 21mil units monthly while gesture sensor volumes are also expected to fall to 27mil units. Meanwhile, volumes for its motion sensor and QCTD products are expected to remain stable.

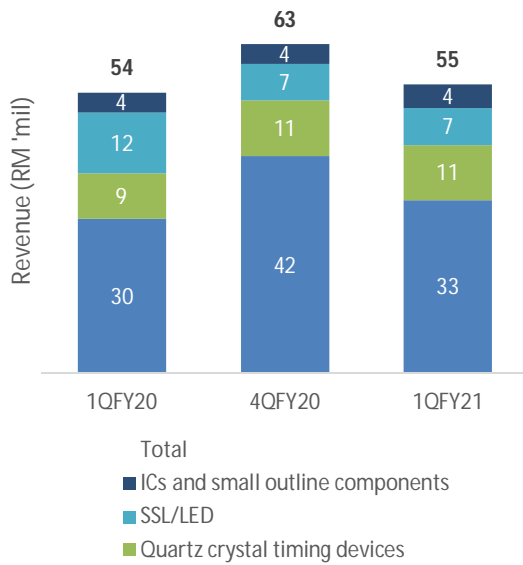
GTB's power lighting products have thus far seen slight improvements in volume loading and are still expected to be one of the group's key focus for FY21. Note that volume loadings for GTB's sensor segment will be seasonally stronger in 2H of the year.

- **Key updates:** Mass production of GTB's next generation light and gesture sensors are set for June and July 2021 respectively while production of its bio/environment sensor will begin in June/July 2021.

New projects under development are ongoing while supply constraints relating to the global semiconductor shortage are manageable with negligible impact to group margins. Additionally, the group's expansion of its factory space by 30% (30K sqft) in Penang is also ongoing with targeted completion in August/September 2021.

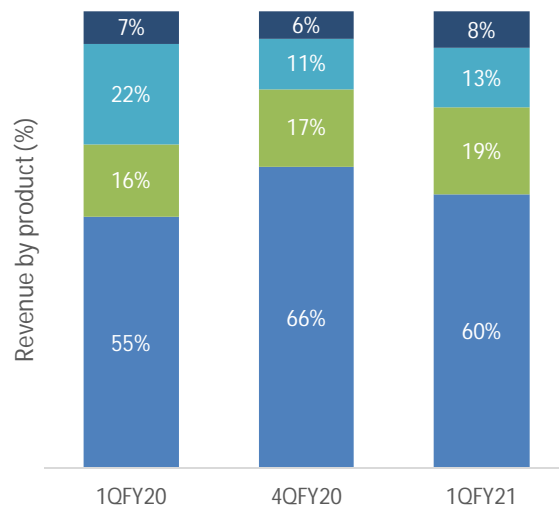
- **Business plans ahead:** GTB continues to co-develop new generation sensors with its key Austrian customer and developing new key programmes with other customers. However, progress of the latter has been hampered by Covid-19-related border closures. Meanwhile, the group continues to make progress for the qualification of additional power lighting products.
- **We believe that GTB is undervalued at the current share price and that investors should take advantage of the recent price correction to accumulate the stock.** The group's positive prospects arise from: (i) its strength in smart sensors (~60% of total group revenue) with new generation sensor demand expected to drive growth ahead; (ii) ramp-up in laser automotive headlamps to boost its LED/SSL segment; and (iii) potential opportunities from the US-China trade war that could lead to customer diversification and revenue enhancement.

EXHIBIT 1: REVENUE BY PRODUCT (RM 'MIL)



Source: Company, AmlInvestment Bank Bhd

EXHIBIT 2: REVENUE CONTRIBUTION BY PRODUCT (%)



Source: Company, AmlInvestment Bank Bhd

EXHIBIT 3: PB BAND CHART

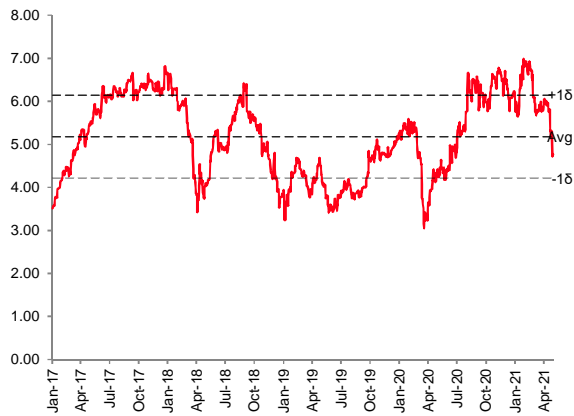


EXHIBIT 4: PE BAND CHART

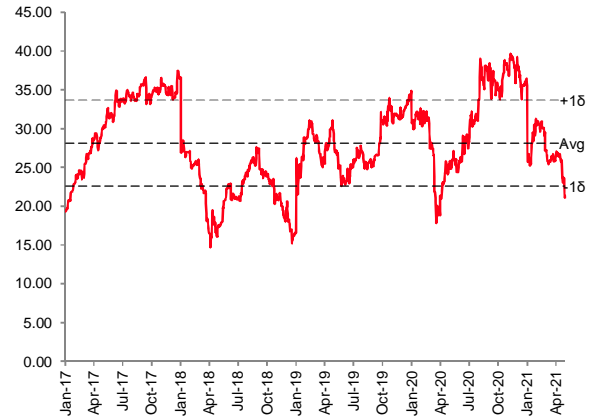


EXHIBIT 5: ESG RATING

Overall	★	★	★		
Energy efficiency	★	★	★	★	
Recycling & waste management	★	★	★	★	
Supply chain management	★	★	★		
Industry 4.0 implementation	★	★	★		
Employee wellbeing	★	★	★		
Human capital development	★	★	★	★	
Corporate social responsibility	★	★	★		
Board diversity	★	★			
Accessibility & transparency	★	★	★		

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star.

Source: AmInvestment Bank Bhd

EXHIBIT 6: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Revenue	216.3	227.5	338.2	383.1	436.2
EBITDA	80.8	90.2	112.6	125.7	140.6
Depreciation/Amortisation	(37.8)	(40.8)	(43.7)	(47.5)	(51.8)
Operating income (EBIT)	42.9	49.4	68.9	78.3	88.9
Other income & associates	-	-	-	-	-
Net interest	3.1	2.6	2.9	2.7	3.0
Exceptional items	(0.2)	0.4	-	-	-
Pretax profit	46.0	52.0	71.9	81.0	91.8
Taxation	(1.3)	(1.2)	(1.6)	(1.9)	(2.1)
Minorities/pref dividends	-	-	-	-	-
Net profit	44.7	50.8	70.2	79.1	89.7
Core net profit	44.9	50.4	70.2	79.1	89.7
Balance Sheet (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Fixed assets	118.5	97.0	103.3	98.0	94.2
Intangible assets	-	-	-	-	-
Other long-term assets	22.5	23.1	23.1	23.1	23.1
Total non-current assets	141.0	120.1	126.4	121.0	117.3
Cash & equivalent	146.2	163.7	150.1	164.7	183.3
Stock	8.3	5.7	8.4	9.6	10.9
Trade debtors	41.3	43.6	64.9	73.5	83.7
Other current assets	1.0	0.7	0.7	0.7	0.7
Total current assets	196.8	213.6	224.1	248.5	278.6
Trade creditors	2.1	0.4	0.4	0.4	0.4
Short-term borrowings	-	-	-	-	-
Other current liabilities	-	-	-	-	-
Total current liabilities	2.1	0.4	0.4	0.4	0.4
Long-term borrowings	4.1	-	-	-	-
Other long-term liabilities	34.8	36.2	56.6	64.7	74.3
Total long-term liabilities	38.9	36.2	56.6	64.7	74.3
Shareholders' funds	296.8	297.1	313.8	332.6	358.8
Minority interests	-	-	-	-	-
BV/share (RM)	0.44	0.44	0.47	0.50	0.54
Cash Flow (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Pretax profit	46.0	52.0	71.9	81.0	91.8
Depreciation/Amortisation	37.8	40.8	43.7	47.5	51.8
Net change in working capital	31.1	(1.0)	(24.0)	(9.8)	(11.5)
Others	(3.0)	(5.5)	(4.4)	(4.4)	(4.9)
Cash flow from operations	112.0	86.3	87.2	114.3	127.2
Capital expenditure	(16.9)	(17.7)	(50.0)	(42.1)	(48.0)
Net investments & sale of fixed assets	3.5	8.4	2.9	2.7	3.0
Others	(2.5)	(5.0)	-	-	-
Cash flow from investing	(15.9)	(14.3)	(47.1)	(39.4)	(45.0)
Debt raised/(repaid)	-	-	-	-	-
Equity raised/(repaid)	0.6	-	-	-	-
Dividends paid	(50.2)	(50.2)	(53.6)	(60.3)	(63.6)
Others	(21.2)	(4.1)	-	-	-
Cash flow from financing	(70.8)	(54.3)	(53.6)	(60.3)	(63.6)
Net cash flow	25.3	17.7	(13.4)	14.6	18.6
Net cash/(debt) b/f	121.0	146.2	163.6	150.1	164.7
Net cash/(debt) c/f	146.2	163.6	150.1	164.7	183.3
Key Ratios (YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Revenue growth (%)	(34.0)	5.2	48.6	13.3	13.9
EBITDA growth (%)	(26.5)	11.7	24.8	11.6	11.9
Pretax margin (%)	21.3	22.9	21.3	21.1	21.1
Net profit margin (%)	20.7	22.3	20.8	20.6	20.6
Interest cover (x)	nm	nm	nm	nm	nm
Effective tax rate (%)	2.9	2.3	2.3	2.3	2.3
Dividend payout (%)	112.3	98.8	76.3	76.2	70.9
Debtors turnover (days)	98	68	59	66	66
Stock turnover (days)	18	11	8	9	9
Creditors turnover (days)	5	2	-	-	-

Source: Company, AmInvestment Bank Bhd estimates

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