



GREATECH TECHNOLOGY

(GREATEC MK EQUITY, GREA.KL)

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Too cheap to ignore

Company Report

BUY

(Maintained)

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Rationale for report: Company Result

Price RM1.79
Fair Value RM2.55
52-week High/Low RM2.63/RM1.10

Key Changes

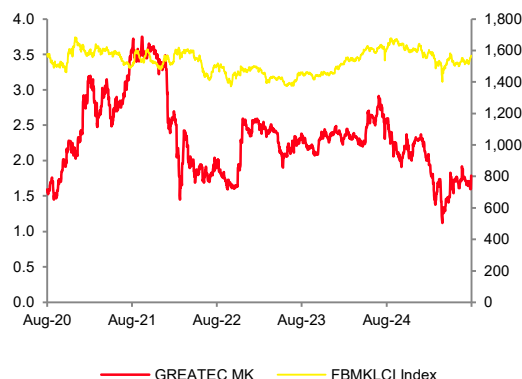
Fair value
EPS

YE to December	FY24	FY25F	FY26F	FY27F
Revenue (RM mil)	752.4	620.0	884.2	1,073.0
Core net profit (RM mil)	153.9	129.2	190.6	234.0
FD Core EPS (sen)	6.1	5.1	7.6	9.3
FD Core EPS growth (%)	(7.0)	(16.0)	47.5	22.7
Consensus Net Profit (RM mil)	-	-	-	-
DPS (sen)	-	-	-	-
PE (x)	29.2	34.8	23.6	19.2
EV/EBITDA (x)	22.0	24.9	17.1	13.7
Div yield (%)	-	-	-	-
ROE (%)	18.7	13.3	16.8	17.4
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	2,511.4
Market Cap (RMmil)	4,495.4
Book Value (RM/Share)	0.36
P/BV (x)	4.9
ROE (%)	18.7
Net Gearing (%)	-
Major Shareholders	Tan Eng Kee (52.3%) Khor Lean Heng (5.9%) AIA Bhd (4.2%)
Free Float	26.2
Avg Daily Value (RMmil)	7.2

Price performance	3mth	6mth	12mth
Absolute (%)	20.9	(7.7)	(29.8)
Relative (%)	19.3	(5.7)	(28.1)

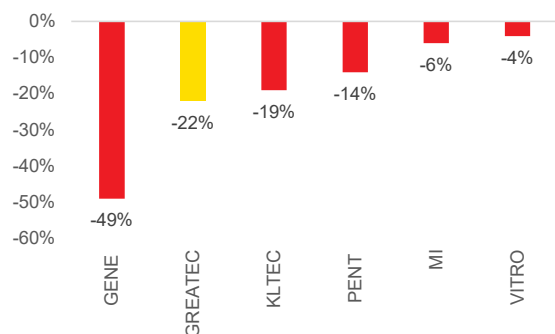


Investment Highlights

Greatech is a prime winner of US reshoring. Despite this, the group is a Malaysia Tech laggard, with valuation at a steep 33% discount to its equipment peers. This stems from concerns over order replenishments from its major US customers. With bulk of US tariffs now finalised, we expect customer Capex activity to resume and its valuation gap to narrow. We raise our TP to RM2.55/share (from RM1.80), with an upside of +42%.

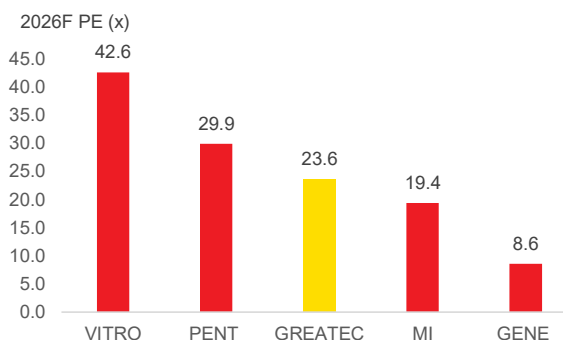
- **Top BUY pick with higher TP of RM2.55/share.** We roll forward our valuation base year to capture a 12-month forward view. We raise FY26F and FY27F earnings by 9% and 19% on higher value of semiconductor orders secured from a metrology customer. We also increase our target PE from 23x to 30x (5-year average), as we anticipate customer Capex to resume following tariff finalisation.
- **Industry laggard, with limited downside.** 2026 PE is currently at 23.6x vs. the market weighted equipment maker average of 35x. Greatech's share price has declined 22% YTD, underperforming the KLTEC index by 3pp and its equipment maker peers by 12pp. This is one of the rare Malaysia Tech companies, where expectations are reasonable, with the market is pricing in a 9% YoY decline to 2025F earnings.
- **Net beneficiary of Trump policies.** The group is a rare beneficiary of US reshoring, with 65% of FY24 revenues derived from the market. With the bulk of country-specific US tariffs now finalised, we expect customer investment decisions to pick up. As an automation equipment maker, Greatech stands to benefit directly from customer Capex, as tariffs raise the cost of imports and encourage domestic production. Our FY25F new orders secured forecast of RM700mil (+41% YoY), includes RM400mil of replenishment orders from its solar customer. In its recent results, its solar customer talked about considerations to expand its perovskite line and create a US finishing line.
- **Expanding TAM through shrewd acquisitions and new target markets.** Representing a low risk-high reward situation, the group acquired Allied Automation and Manz Slovakia for EUR1mil each. For Allied Automation, this expands its offerings to include automation equipment for urine catheters, female catheter and bottle filling. The group is targeting 15 medtech customers and is bidding for RM200-300mil worth of projects. Through Manz Slovakia, it has expanded its capabilities into prismatic battery assembly (in addition to cylindrical), allowing it to quote for an additional RM200mil worth of project. Lastly, semiconductor revenues are expected to grow to more than RM100mil, driven by a metrology customer.

EXHIBIT 1: RELATIVE YTD PERFORMANCE



Source: Bloomberg, AmlInvestment Bank

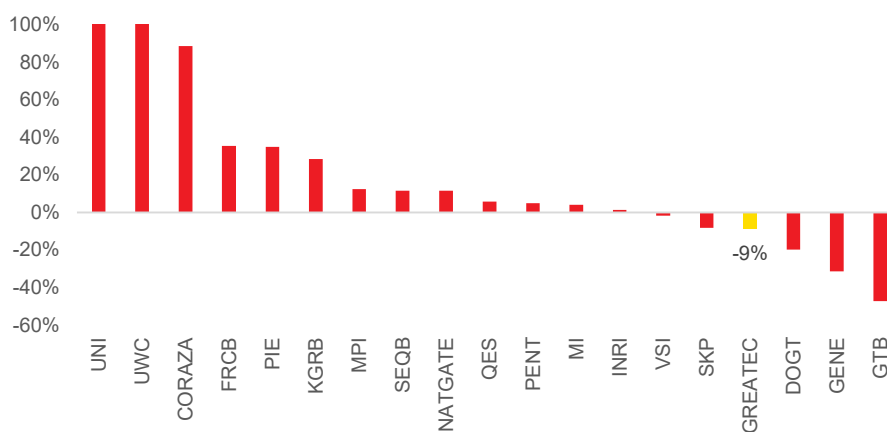
EXHIBIT 2: EQUIPMENT MAKER 2026F CONSENSUS PE



Source: Bloomberg, AmlInvestment Bank

EXHIBIT 3: MARKET EARNINGS GROWTH EXPECTATIONS

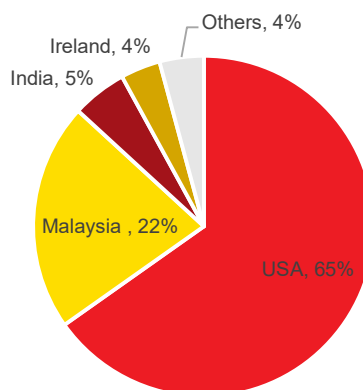
Greotech's current valuation reflects conservative expectations, with market pricing in forward earnings to decline by 9% YoY



Source: Bloomberg, AmlInvestment Bank

EXHIBIT 4: REVENUE BREAKDOWN – BENEFICIARY OF US RESHORING

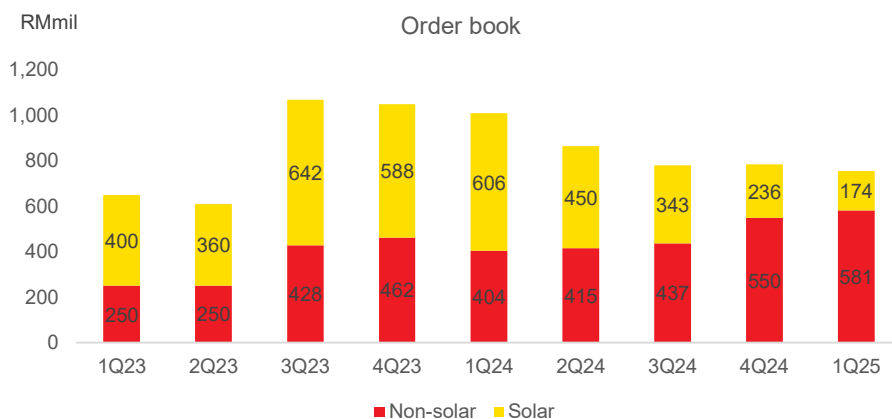
Prime beneficiary of US reshoring as 65% of revenues were derived from the country



Source: Greotech, AmlInvestment Bank

EXHIBIT 5: ORDER BOOK HAS BOTTOMED

Non-solar order book continues to grow, and the total order book could rebound meaningfully if solar replenishment orders materialise



Source: Greatech, AmlInvestment Bank

EXHIBIT 6: 5-YEAR FORWARD PE

Trading at 1sd below 5-year average



Source: Bloomberg, AmlInvestment Bank

EXHIBIT 7: CHANGE IN EARNINGS

RMmil	FY25F			FY26F			FY27F		
	Old	New	%	Old	New	%	Old	New	%
Revenue	620	620	0	817	884	8.3	905	1073	18.6
Earnings	129	129	0	175	191	8.7	196	234	19.4
New orders secured	700	700	-	850	1,000	17.6	950	1,100	15.8

Source: AmlInvestment Bank

EXHIBIT 8: VALUATIONS: GREATEC

Target PE (x)	30x
CY26 EPS	9.3sen (from 7.8sen)
ESG premium	-
12-month target price	RM2.55 (from RM1.80)

Source: AmlInvestment Bank

Company profile

Greatech is an automation solutions provider. By pursuing automation, companies can increase productivity, reduce labour cost, improve quality & consistency and enhance safety.

Its products include both single automated equipment and production line systems, which consists of multiple automated equipment. The group serves four main segments, solar, e-mobility, life science and semicon automation.

To produce production line systems, ample floor space and a sizeable workforce is required, due to the large nature of these lines. The group has a total floor space of 1.4m sqft and a workforce of 1.5k people.

Another competitive advantage is its in-house machining capabilities. This allows the group to fabricate its own metal structures (for its equipment) and provides a faster time to market (vs. relying on external fabricators).

Investment thesis and catalysts

Clean energy play. Under the Paris Agreement (reached in 2015), targets are to limit global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit it to 1.5°C. More than half of the group's revenue comes from the solar and e-mobility segment, which are products that aim to reduce environmental impacts through better energy efficiency, resource conservation and usage of renewable sources. Underpinning strong demand, its US solar customer has an order backlog that lasts until 2030. Meanwhile, although EV sales growth has recently slowed, long term prospects are intact given improving infrastructure development, environmental awareness, cost savings (both operational and investments) and increased investments.

Beneficiary of US reshoring. Given its American customer base, the group is a capex beneficiary of deglobalisation and reshoring activities, which is driven by geopolitical tensions, efforts to build supply chain resilience and economic incentives. Additionally, tariffs on overseas competition help shield US manufacturers from foreign competition.

Life science to be new pillar of growth. To sustain growth, management continues to explore new revenue verticals. Apart from solar and e-mobility, management is also nurturing its life science division. The group inaugurated its new base in Ireland in 2023, following the acquisition of Allied Automation Limited (AAL) for an enterprise value of EUR1.0mil. AAL is an automation company for leading medical device and life science companies, where the group foresees a surge in demand, due to rising healthcare needs driven by an aging population.

Valuation methodology

We value Greatech based on a target PE of **30x** and blended CY26/27 EPS. Our target PE is based on the group's 5-year average. As the bulk of country specific tariffs has now been finalised, we expect valuations to rerate back to the mean, on the assumption that customer Capex will resume.

Risk factors

Due to its large single customer dependency, any changes to its solar customer's expansion plans could impact the group's future prospects.

We estimate every 1% increase/decrease in the USD/MYR rate, increases/decreases the group's earnings by 2%.

EXHIBIT 9: FINANCIAL DATA

Income Statement (RMmil, YE 31 December)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	658.7	752.4	620.0	884.2	1,073.0
EBITDA	186.1	194.5	167.4	238.7	289.7
Depreciation/Amortisation	(15.3)	(22.7)	(24.9)	(27.4)	(31.0)
Operating income (EBIT)	170.8	171.8	142.5	211.3	258.7
Other income & associates	-	-	-	-	-
Net interest	6.4	6.7	9.5	12.9	16.5
Exceptional items	(11.2)	1.1	-	-	-
Pretax profit	166.1	179.6	152.0	224.3	275.2
Taxation	(11.7)	(24.6)	(22.8)	(33.6)	(41.3)
Minorities/pref dividends	-	-	-	-	-
Net profit	154.4	155.0	129.2	190.6	234.0
Core net profit	165.5	153.9	129.2	190.6	234.0
Balance Sheet (RMmil, YE 31 December)	FY23	FY24	FY25F	FY26F	FY27F
Fixed assets	444.0	485.8	522.9	583.9	660.3
Intangible assets	11.7	10.2	10.2	10.2	10.2
Other long-term assets	-	-	-	-	-
Total non-current assets	455.7	496.0	533.2	594.2	670.5
Cash & equivalent	187.9	232.8	345.2	424.9	546.6
Stock	53.0	68.9	55.9	79.7	96.8
Trade debtors	162.8	151.4	124.7	177.9	215.9
Other current assets	138.9	163.1	163.1	163.1	163.1
Total current assets	542.6	616.2	689.0	845.7	1,022.4
Trade creditors	120.1	85.7	69.5	99.2	120.3
Short-term borrowings	3.3	2.9	2.4	1.9	1.6
Other current liabilities	95.4	82.9	82.9	82.9	82.9
Total current liabilities	218.9	171.5	154.8	184.0	204.8
Long-term borrowings	18.5	17.4	14.8	12.7	10.9
Other long-term liabilities	9.5	14.0	14.0	14.0	14.0
Total long-term liabilities	28.0	31.5	28.9	26.7	25.0
Shareholders' funds	751.4	909.3	1,038.5	1,229.1	1,463.1
Minority interests	-	-	-	-	-
BV/share (RM)	0.60	0.36	0.41	0.49	0.58
Cash Flow (RMmil, YE 31 December)	FY23	FY24	FY25F	FY26F	FY27F
Pretax profit	166.1	179.6	152.0	224.3	275.2
Depreciation/Amortisation	15.3	22.7	24.9	27.4	31.0
Net change in working capital	(188.0)	(65.2)	23.5	(47.4)	(33.8)
Others	(11.0)	(29.1)	(32.3)	(46.6)	(57.8)
Cash flow from operations	(17.6)	107.9	168.1	157.7	214.6
Capital expenditure	(122.6)	(62.3)	(62.0)	(88.4)	(107.3)
Net investments & sale of fixed assets	(2.3)	0.3	-	-	-
Others	-	-	-	-	-
Cash flow from investing	(124.9)	(62.0)	(62.0)	(88.4)	(107.3)
Debt raised/(repaid)	(1.9)	(3.0)	(3.2)	(2.6)	(2.1)
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	-	-	-	-	-
Others	6.5	7.0	9.5	12.9	16.5
Cash flow from financing	4.6	4.1	6.3	10.4	14.4
Net cash flow	(137.9)	49.9	112.4	79.7	121.7
Net cash/(debt) b/f	326.7	187.4	-	-	-
Net cash/(debt) c/f	187.4	232.8	112.4	79.7	121.7
Key Ratios (YE 31 December)	FY23	FY24	FY25F	FY26F	FY27F
Revenue growth (%)	20.6	14.2	(17.6)	42.6	21.3
EBITDA growth (%)	27.5	4.5	(13.9)	42.6	21.3
Pretax margin (%)	25.2	23.9	24.5	25.4	25.7
Net profit margin (%)	23.4	20.6	20.8	21.6	21.8
Interest cover (x)	nm	nm	nm	nm	nm
Effective tax rate (%)	7.0	13.7	15.0	15.0	15.0
Dividend payout (%)	-	-	-	-	-
Debtors turnover (days)	76	76	81	62	67
Stock turnover (days)	21	30	37	28	30
Creditors turnover (days)	52	50	46	35	37

Source: Company, AmlInvestment Bank Bhd estimates

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