TECHNOLOGY

GREATECH TECHNOLOGY

(GREATEC MK EQUITY, GREA.KL)

28 May 2025

Negatives priced in

Company Report

BUY

(Maintained)

Paul Yap Ee Xing
paul.ee-xing@ambankgroup.com
+603 2036 2281

Rationale for report: Company Result

Price	**RM1.54**
Fair Value	**RM1.80**
52-week High/Low	RM2.94/RM1.10

Key Changes

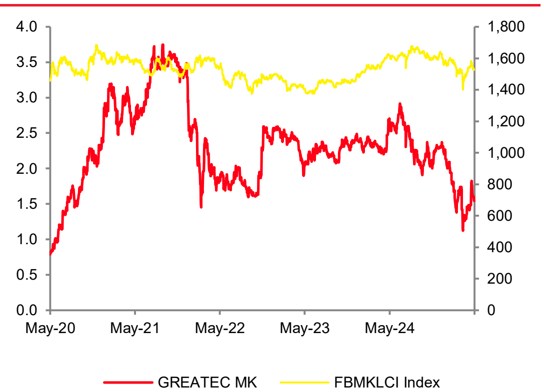
Fair value	⇧
EPS	⇧

YE to Dec	**FY24**	**FY25F**	**FY26F**	**FY27F**
Revenue (RM mil)	752.4	706.9	911.6	1,007.0
Core net profit (RM mil)	153.9	148.9	196.6	218.9
FD Core EPS (sen)	6.1	5.9	7.8	8.7
FD Core EPS growth (%)	(7.0)	(3.2)	32.0	11.4
Consensus Net Profit (RM mil)	-	-	-	-
DPS (sen)	-	-	-	-
PE (x)	25.1	26.0	19.7	17.7
EV/EBITDA (x)	18.8	18.6	14.0	12.2
Div yield (%)	-	-	-	-
ROE (%)	18.7	15.1	17.0	16.0
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	2,511.4
Market Cap (RMmil)	3,867.5
Book Value (RM/Share)	0.36
P/BV (x)	4.3
ROE (%)	18.7
Net Gearing (%)	-
Major Shareholders	GTECH HOLDINGS SDN BHD (57.7%) AIA (3.2%) Lembaga Tabung Haji (2.9%)
Free Float	26.2
Avg Daily Value (RMmil)	10.0

Price performance	**3mth**	**6mth**	**12mth**
Absolute (%)	(14.9)	(24.1)	(43.1)
Relative (%)	(11.5)	(20.3)	(39.6)



Investment Highlights

A proxy to US reshoring trends, we retain BUY on Greatech at a higher TP of RM1.80/share (from RM1.60), after raising earnings by 12-15%. Fearing the worst, we had expected potential delays to project deliveries due to the ongoing trade war. However, 1Q25 earnings growth was strong at +87% YoY. Customers are expected to finalise capex decisions in the coming months, as management stuck to its new order target of RM800-900mil. At a FY26F PE of 20x, the stock currently trades more than 1sd below its 5-year average.

- **Retain BUY on best proxy to US reshoring trend.** Due to higher earnings, we value Greatech at a higher TP of RM1.80/share (from RM1.60). This is based on a target PE of 23x and CY26 EPS. To reflect broader trade uncertainties, which could lead to capex delays, our valuations are pegged to 1sd below its 5-year average. Despite that, we continue to view the stock as a potential winner of US reshoring, being a proxy to its solar and e-mobility customers expansion in the US.

- **Strong start, despite us fearing the worst.** 1Q25 core profit grew +87% YoY to RM40mil. This is above ours, but within consensus expectations, forming 31% and 23% of estimates. We had previously feared the worst with regards to tariffs, assuming potential delays in project deliveries. Given this is unlikely to be the case, we raise FY25-27F earnings by 12-15%. 1Q25 revenue growth was attributed to the e-mobility (+362% YoY) and solar (+13% YoY) segment.

- **New order targets maintained.** Sequentially, order book stood relatively flat at RM755mil (-1% QoQ). Despite this, management kept its 2025 new order target at RM800-900mil jobs (vs. RM95mil secured YTD). We believe this is achievable and assume the group secures RM850mil worth of new orders this year, coming primarily from the solar (RM400mil), e-mobility (RM200mil) and life science (RM200mil) segment.

- **Major awards expected over next few months.** In line with the US reshoring trend, its solar customer is expected to firm up its capex plans by June 2025. Meanwhile, a big e-mobility customer is expected to place repeat orders by July/August 2025. The life science segment is also gaining traction, with the group in discussion with 15 customers and in the process of developing a few new products. Further developing new verticals, management expects to secure orders from the pharmaceuticals sector (RM60mil) and for data centre engineering works (RM80mil) this year.

EXHIBIT 1: 1Q25 EARNINGS SUMMARY

FYE Dec (RM 'mil)	1Q25	1Q24	YoY (%)	4Q24	QoQ (%)
Revenue	175	152	15.5	206	-14.8
EBITDA	37	18	110.6	39	-5.2
Depreciation and amortisation	7	5	57.5	8	-8.4
EBIT	44	22	99.4	47	-5.7
Finance income	2	2	-7.1	2	6.6
Finance costs	0	0	12.3	0	-8.7
EI	-3	11	-125.0	15	-117.6
PBT	43	35	24.2	64	-32.5
Tax	-6	-3	135.2	-12	-49.8
PATAMI	**37**	**32**	**15.3**	**52**	**-28.5**
Core net profit	**40**	**21**	**87.1**	**36**	**9.5**
Ebitda margin (%)	21.0	11.5	9.5	18.9	2.1
Ebit margin (%)	25.3	14.6	10.6	22.8	2.4
Pbt margin (%)	24.5	22.8	1.7	30.9	-6.4
Tax rate (%)	-3.4	-1.7	-1.8	-5.8	2.4
Core profit margin (%)	22.6	14.0	8.6	17.6	5.0

Source: AmInvestment Bank, Company

EXHIBIT 2: CHANGE IN EARNINGS

		FY25F			FY26F			FY27F	
RMmil	**Old**	**New**	**%**	**Old**	**New**	**%**	**Old**	**New**	**%**
Revenue	620	707	14%	817	912	12%	905	1,007	11%
Earnings	129	149	16%	175	197	13%	196	219	12%
New orders secured	**750**	**850**	**13.3**	**850**	**950**	**11.8**	**950**	**1,050**	**10.5**
Solar	400	400	0.0	400	400	0.0	400	400	0.0
e-mobility	150	200	33.3	200	250	25.0	250	300	20.0
Life science	150	200	33.3	200	250	25.0	250	300	20.0
Others	50	50	0.0	50	50	0.0	50	50	0.0

Source: AmInvestment Bank

EXHIBIT 3: VALUATIONS: GREATEC

Target PE (x)	23x
CY26 EPS	7.8sen (from 7.0sen)
ESG premium	-
12-month target price	RM1.80 (from RM1.60)

Source: AmInvestment 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 2ºC above pre-industrial levels and to pursue efforts to limit it to 1.5ºC. 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. Legislative measures such as the CHIPS and Science Act and Inflation Reduction Act provides funding and tax incentives to encourage domestic manufacturing. 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 **23**x and CY26 EPS. Our target PE is based on 1sd below the group's 5-year average. This is to reflect uncertainties from the ongoing trade war, which could lead to capex delays.

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 4: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	658.7	752.4	706.9	911.6	1,007.0
EBITDA	186.1	194.5	190.9	246.1	271.9
Depreciation/Amortisation	(15.3)	(22.7)	(25.1)	(27.9)	(31.3)
Operating income (EBIT)	170.8	171.8	165.8	218.2	240.6
Other income & associates	-	-	-	-	-
Net interest	6.4	6.7	9.4	13.0	17.0
Exceptional items	(11.2)	1.1	-	-	-
Pretax profit	**166.1**	**179.6**	**175.2**	**231.3**	**257.6**
Taxation	(11.7)	(24.6)	(26.3)	(34.7)	(38.6)
Minorities/pref dividends	-	-	-	-	-
Net profit	**154.4**	**155.0**	**148.9**	**196.6**	**218.9**
Core net profit	165.5	153.9	148.9	196.6	218.9

Balance Sheet (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Fixed assets	444.0	485.8	531.4	594.7	664.0
Intangible assets	11.7	10.2	10.2	10.2	10.2
Other long-term assets	-	-	-	-	-
Total non-current assets	**455.7**	**496.0**	**541.6**	**604.9**	**674.3**
Cash & equivalent	187.9	232.8	340.9	434.9	565.3
Stock	53.0	68.9	63.7	82.2	90.8
Trade debtors	162.8	151.4	142.2	183.4	202.6
Other current assets	138.9	163.1	163.1	163.1	163.1
Total current assets	**542.6**	**616.2**	**710.0**	**863.7**	**1,021.8**
Trade creditors	120.1	85.7	79.3	102.2	112.9
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**	**164.5**	**187.0**	**197.4**
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**	**1,058.2**	**1,254.8**	**1,473.7**
Minority interests	-	-	-	-	-
BV/share (RM)	0.60	0.36	0.42	0.50	0.59

Cash Flow (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Pretax profit	166.1	179.6	175.2	231.3	257.6
Depreciation/Amortisation	15.3	22.7	25.1	27.9	31.3
Net change in working capital	(188.0)	(65.2)	7.9	(36.7)	(17.1)
Others	(11.0)	(29.1)	(35.7)	(47.7)	(55.6)
Cash flow from operations	**(17.6)**	**107.9**	**172.5**	**174.8**	**216.2**
Capital expenditure	(122.6)	(62.3)	(70.7)	(91.2)	(100.7)
Net investments & sale of fixed assets	(2.3)	0.3	-	-	-
Others	-	-	-	-	-
Cash flow from investing	**(124.9)**	**(62.0)**	**(70.7)**	**(91.2)**	**(100.7)**
Debt raised/(repaid)	(1.9)	(3.0)	(3.2)	(2.6)	(2.1)
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	-	-	-	-	-
Others	6.5	7.0	9.4	13.0	17.0
Cash flow from financing	**4.6**	**4.1**	**6.3**	**10.5**	**14.9**
Net cash flow	**(137.9)**	**49.9**	**108.0**	**94.1**	**130.4**
Net cash/(debt) b/f	**326.7**	**187.4**	**-**	**-**	**-**
Net cash/(debt) c/f	**187.4**	**232.8**	**108.0**	**94.1**	**130.4**

Key Ratios (YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue growth (%)	20.6	14.2	(6.0)	29.0	10.5
EBITDA growth (%)	27.5	4.5	(1.9)	29.0	10.5
Pretax margin (%)	25.2	23.9	24.8	25.4	25.6
Net profit margin (%)	23.4	20.6	21.1	21.6	21.7
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	76	65	70
Stock turnover (days)	21	30	34	29	31
Creditors turnover (days)	52	50	43	36	39

Source: Company, AmInvestment Bank Bhd estimates

DISCLOSURE AND DISCLAIMER

This report is prepared for information purposes only and it is issued by AmInvestment Bank Berhad ("AmInvestment") without regard to your individual financial circumstances and objectives. Nothing in this report shall constitute an offer to sell, warranty, representation, recommendation, legal, accounting or tax advice, solicitation or expression of views to influence any one to buy or sell any real estate, securities, stocks, foreign exchange, futures or investment products. AmInvestment recommends that you evaluate a particular investment or strategy based on your individual circumstances and objectives and/or seek financial, legal or other advice on the appropriateness of the particular investment or strategy.

The information in this report was obtained or derived from sources that AmInvestment believes are reliable and correct at the time of issue. While all reasonable care has been taken to ensure that the stated facts are accurate and views are fair and reasonable, AmInvestment has not independently verified the information and does not warrant or represent that they are accurate, adequate, complete or up-to-date and they should not be relied upon as such. All information included in this report constituteAmInvestment's views as of this date and are subject to change without notice. Notwithstanding that, AmInvestment has no obligation to update its opinion or information in this report. Facts and views presented in this report may not reflect the views of or information known to other business units of AmInvestment's affiliates and/or related corporations (collectively, "AmBank Group").

This report is prepared for the clients of AmBank Group and it cannot be altered, copied, reproduced, distributed or republished for any purpose without AmInvestment's prior written consent. AmInvestment, AmBank Group and its respective directors, officers, employees and agents ("Relevant Person") accept no liability whatsoever for any direct, indirect or consequential losses, loss of profits and/or damages arising from the use or reliance of this report and/or further communications given in relation to this report. Any such responsibility is hereby expressly disclaimed.

AmInvestment is not acting as your advisor and does not owe you any fiduciary duties in connection with this report. The Relevant Person may provide services to any company and affiliates of such companies in or related to the securities or products and/or may trade or otherwise effect transactions for their own account or the accounts of their customers which may give rise to real or potential conflicts of interest.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located.

If any provision of this disclosure and disclaimer is held to be invalid in whole or in part, such provision will be deemed not to form part of this disclosure and disclaimer. The validity and enforceability of the remainder of this disclosure and disclaimer will not be affected.