



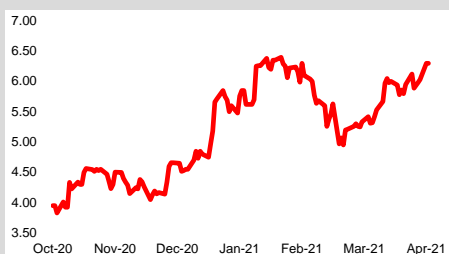
**DESCRIPTION**

Automation solutions provider manufacturing single automated equipment and production lines, with unique exposure to the photovoltaic, energy storage and medical device sector.

**12-Month Target Price** RM6.80  
**Current Price** RM6.30  
**Expected Return** 7.9%

**Market** Main  
**Sector** Technology  
**Bursa Code** 0208  
**Bloomberg Ticker** GREATEC MK  
**Shariah-Compliant** Yes

**SHARE PRICE CHART**



**52 Week Range (RM)** RM1.34 – RM6.75  
**3-Month Average Vol ('000)** 4,158.7

**SHARE PRICE PERFORMANCE**

	1M	3M	12M
Absolute Returns	18.2	9.4	60.9
Relative Returns	16.6	4.8	49.3

**KEY STOCK DATA**

Market Capitalisation (RMm)	7,887.6
No. of Shares (m)	1,252.0

**MAJOR SHAREHOLDERS**

	%
GTECH Holdings SB	67.6
LLH Holdings SB	3.2

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**Not Resting on its Laurels**

In its recent analyst briefing, Greatech has revealed that it is currently working on securing another four new clients in the electric vehicle (EV) space, in addition to its four existing EV clients currently, and the job scope will mainly be focusing on production line systems. This reaffirms our positive view on Greatech, given that more production line system contract wins are seen as re-rating catalyst. We continue to like Greatech, as its constant contract wins is a strong testament to its ability as one of the world's leading automation solutions provider. Reiterate **Outperform** on Greatech, with an unchanged TP of RM6.80 (based on 40x PE on its FY22F EPS of 17sen per share).

§ **Orderbook.** In its recent results announcement, Greatech disclosed that its orderbook stood at RM293m, of which the EV battery segment makes up 73% (c.RM214m), while photovoltaic (PV) and the other segment accounts for 25% (c.RM73m) and 2% (c.RM5.9m) respectively. We understand that, for the PV segment, Greatech is currently waiting for order replenishments from First Solar, which should come about in the coming months and we estimate the contract value to be c.RM200m, of which it has been incorporated in our FY21F forecasts.

Greatech also did not rest on its laurels after securing its 4<sup>th</sup> EV client, as it is now pursuing 4 other potential clients in the EV space. We gather that two of the potential clients are battery cell manufacturers, while the other two are among the world's largest car makers, located in Detroit. Management guided that non-disclosure agreements have been signed with several potential clients and the job scope will mainly revolve around production line systems, which will fetch much higher value as compared to standard equipment.

§ **New application for substrate and optics industry.** Development work for Greatech's new automated equipment (for the substrate and optics industry) is currently near completion at c.95%. Beta test is targeted to begin soon, and commercialization is expected in 2HCY21. The major competitors for its substrate automated equipment originate from US and Japan, and we understand that the worldwide lead time for such equipment has reached 14 months currently, signifying the strong demand. Management also estimates the selling price for the new equipment to be in the range of USD600-700k.

§ **4<sup>th</sup> EV client.** Although Greatech has not revealed the identity and contract size of its 4<sup>th</sup> EV client, however, it guided that the Group targets to win RM80m worth of contracts from this client in FY21.

**KEY FORECAST TABLE**

FYE Dec (RM m)	2019A	2020A	2021F	2022F	2023F	CAGR
Revenue	215.9	261.1	505.3	646.8	776.1	43.8%
Gross Profit	72.9	113.5	202.1	265.2	318.2	41.0%
Pre-tax Profit	57.6	90.1	167.1	219.3	258.0	42.0%
Net Profit	52.3	87.8	162.1	212.8	250.3	41.8%
EPS (Sen)	4.2	7.0	12.9	17.0	20.0	
P/E (x)	150.8	89.8	48.7	37.1	31.5	
DPS (Sen)	N.A	N.A	N.A	N.A	N.A	
Dividend Yield	N.A	N.A	N.A	N.A	N.A	

Source: Company, PublicInvest Research estimates

**KEY FINANCIAL DATA**
**INCOME STATEMENT DATA**

FYE Aug (RM m)	2019A	2020A	2021F	2022F	2023F
Revenue	215.9	261.1	505.3	646.8	776.1
Cost of sales	-143.1	-143.1	-303.2	-381.6	-457.9
Gross Profit	72.9	113.5	202.1	265.2	318.2
Other Gains / (Losses)	10.0	10.7	23.2	29.8	34.1
Finance Costs	-0.9	-0.9	-1.1	-1.2	-1.2
Pre-tax Profit	57.6	90.1	167.1	219.3	258.0
Income Tax	-5.3	-2.2	-5.0	-6.6	-7.7
Effective Tax Rate (%)	9.2	2.5	3.0	3.0	3.0
Minorities	0.0	0.0	0.0	0.0	1.0
Net Profit	52.3	87.8	162.1	212.8	250.3

**Growth**

Revenue	-2%	21%	93%	28%	20%
Gross Profit	61%	56%	78%	31%	20%
Net Profit	65%	68%	85%	31%	18%

Source: Company, PublicInvest Research estimates

**BALANCE SHEET DATA**

FYE Aug (RM m)	2019A	2020A	2021F	2022F	2023F
Property, Plant & Equipment	37.5	64.5	69.3	73.4	76.9
Cash and Cash Equivalents	217.9	72.6	436.0	640.6	883.5
Receivables, deposits and prepayment	30.2	41.5	80.2	102.7	123.2
Other Assets	58.9	276.2	75.1	79.5	83.8
<b>Total Assets</b>	<b>344.6</b>	<b>454.7</b>	<b>660.6</b>	<b>896.1</b>	<b>1,167.5</b>
Payables	29.1	40.2	80.0	101.3	122.4
Borrowings	19.1	18.6	22.5	24.0	24.0
Deferred tax	3.1	6.0	6.0	6.0	6.0
Other Liabilities	97.6	103.2	103.2	103.2	103.2
<b>Total Liabilities</b>	<b>149.0</b>	<b>168.0</b>	<b>211.7</b>	<b>234.5</b>	<b>255.6</b>
Shareholders' Equity	195.6	286.7	448.9	661.6	911.9
<b>Total Equity and Liabilities</b>	<b>344.6</b>	<b>454.7</b>	<b>660.6</b>	<b>896.1</b>	<b>1,167.5</b>

Source: Company, PublicInvest Research estimates

**PER SHARE DATA & RATIOS**

FYE Aug	2019A	2020A	2021F	2022F	2023F
Book Value Per Share	0.2	0.4	0.4	0.5	0.7
NTA Per Share	0.1	0.4	0.3	0.5	0.7
EPS (Sen)	4.2	7.0	12.9	17.0	20.0
DPS (Sen)	N.A	N.A	N.A	N.A	N.A
Payout Ratio (%)	N.A	N.A	N.A	N.A	N.A
ROA (%)	15.2	19.3	24.6	23.8	21.5
ROE (%)	26.7	30.6	36.1	32.2	27.4

Source: Company, PublicInvest Research estimates

## RATING CLASSIFICATION

### STOCKS

<b>OUTPERFORM</b>	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
<b>NEUTRAL</b>	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
<b>UNDERPERFORM</b>	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
<b>TRADING BUY</b>	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
<b>TRADING SELL</b>	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
<b>NOT RATED</b>	The stock is not within regular research coverage.

### SECTOR

<b>OVERWEIGHT</b>	The sector is expected to outperform a relevant benchmark over the next 12 months.
<b>NEUTRAL</b>	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
<b>UNDERWEIGHT</b>	The sector is expected to underperform a relevant benchmark over the next 12 months.

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**Published and printed by:**  
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