



# ATA IMS

(AIB MK EQUITY, ATAI.KL)

27 Aug 2021

1QFY21 net profit more than double YoY despite MCO

**BUY**

(Maintained)

AmInvestment Bank

www.amequities.com.my

03-2036 2240

**Rationale for report: Company results**

Price	RM2.70
Fair Value	RM3.34
52-week High/Low	RM3.48/RM1.34

### Key Changes

Fair value	↕
EPS	↕

YE to Mar	FY21	FY22F	FY23F	FY24F
Revenue (RM mil)	4,221.8	5,387.3	6,214.2	7,171.3
Core net profit (RM mil)	150.1	185.3	223.3	274.3
FD Core EPS (sen)	12.5	15.4	18.6	22.8
FD Core EPS growth (%)	79.6	23.5	20.5	22.8
Consensus Net Profit (RM mil)	-	173.7	209.8	248.5
DPS (sen)	3.9	4.9	5.9	7.2
PE (x)	21.6	17.5	14.5	11.8
EV/EBITDA (x)	14.6	11.0	9.2	7.5
Div yield (%)	1.6	1.9	2.3	2.9
ROE (%)	20.6	21.7	22.5	23.6
Net Gearing (%)	25.5	4.1	1.5	nm

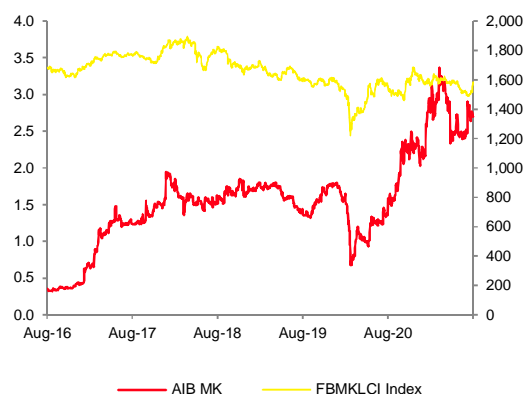
### Stock and Financial Data

Shares Outstanding (million)	1,203.2
Market Cap (RM mil)	3,248.7
Book Value (RM/share)	0.66
P/BV (x)	4.1
ROE (%)	20.6
Net Gearing (%)	25.5

Major Shareholders	Oregon Tech Sdn Bhd (33.8%) Dato' Fong Chiu Wan (26.1%) OCBC Ltd (10.4%)
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Free Float	25.5
Avg Daily Value (RM mil)	5.2

Price performance	3mth	6mth	12mth
Absolute (%)	9.3	(2.9)	72.0
Relative (%)	8.8	(3.4)	68.1



### Investment Highlights

- We maintain our BUY recommendation on ATA IMS (ATA) with unchanged forecasts and fair value (FV) of RM3.34/share, pegged to an FY23F PE of 18x. There is no adjustment to our FV based on a 3-star ESG rating as appraised by us (Exhibit 2).
- ATA's 1QFY22 core net profit of RM22.7mil came in at 12% and 13% of our full-year forecast and the full-year consensus estimates respectively. However, we consider the results within expectations as we expect strong quarters ahead with improving productivity on reducing pandemic restrictions.
- ATA's 1QFY22 turnover grew 20% YoY mainly attributable to higher orders from its existing customers, we believe, mostly from floor-care and personal care products. Its core net profit more than doubled thanks to improved productivity and operational efficiency.
- QoQ, ATA's turnover softened 8% mainly due to the 60% cap on workforce from May 2021 mandated by the authority to curb the spread of Covid-19. This dragged its core net profit down by a larger 47% due to diseconomies of scale.
- Looking ahead, we believe the group's prospects remain positive as its main customer's order forecasts have stayed strong while production activities for new customers (mostly smart home products and DIY tools) shall come online before the year is out.
- ATA has plans to expand its factory floor space by 200K sq ft (equivalent to approximately 10% of its existing factory floor space) in anticipation of more orders. Meanwhile, the group is striving to achieve full vaccination for its entire workforce within the next 4–6 weeks, enabling it to operate at full capacity.
- We continue to like ATA for its medium-to-longer term positive prospects arising from: (i) it being the purest proxy to its main customer's growth prospects; (ii) its efforts towards being vertically integrated; and (iii) customer diversification opportunities arising from the US-China trade war diversion which is supported by the group's modular expansion strategy.

## EXHIBIT 1: RESULTS SUMMARY

YE 31 Mar (RM mil)	1QFY21	1QFY22	YoY (%)	1QFY21	4QFY21	1QFY22	QoQ (%)	YoY (%)
<b>Turnover</b>	744.0	893.1	<b>20.0</b>	744.0	968.0	893.1	<b>(7.7)</b>	<b>20.0</b>
<b>EBITDA</b>	<b>24.6</b>	<b>43.7</b>	<b>77.9</b>	<b>24.6</b>	<b>56.4</b>	<b>43.7</b>	<b>(22.6)</b>	<b>77.9</b>
Depreciation/Amortisation	(9.1)	(11.3)	(23.5)	(9.1)	(6.7)	(11.3)	(68.4)	(23.5)
<b>EBIT</b>	<b>15.5</b>	<b>32.5</b>	<b>&gt;100</b>	<b>15.5</b>	<b>49.8</b>	<b>32.5</b>	<b>(34.8)</b>	<b>&gt;100</b>
Interest expense	(3.8)	(4.2)	(12.1)	(3.8)	(4.1)	(4.2)	(3.0)	(12.1)
Interest income	2.5	2.0	(19.5)	2.5	1.5	2.0	31.5	(19.5)
Pre-Associates profit	14.2	30.2	>100	14.2	47.2	30.2	(35.9)	>100
Associates	0.0	0.0	nm	0.0	0.0	0.0	nm	nm
Pre-Exceptionals profit	14.2	30.2	>100	14.2	47.2	30.2	(35.9)	>100
Exceptionals	8.5	0.7	(92.3)	8.5	(16.2)	0.7	nm	(92.3)
<b>Pre-tax profit</b>	<b>22.6</b>	<b>30.9</b>	<b>36.4</b>	<b>22.6</b>	<b>31.0</b>	<b>30.9</b>	<b>(0.2)</b>	<b>36.4</b>
Taxation	(4.9)	(7.5)	(53.4)	(4.9)	(4.0)	(7.5)	(86.8)	(53.4)
Minority interest	0.0	0.0	nm	0.0	0.0	0.0	nm	nm
<b>Net Profit</b>	<b>17.8</b>	<b>23.4</b>	<b>31.7</b>	<b>17.8</b>	<b>26.9</b>	<b>23.4</b>	<b>(13.2)</b>	<b>31.7</b>
<b>Core Net Profit</b>	<b>9.3</b>	<b>22.7</b>	<b>&gt;100</b>	<b>9.3</b>	<b>43.2</b>	<b>22.7</b>	<b>(47.3)</b>	<b>&gt;100</b>
Basic EPS (sen)	1.5	1.9	32.0	1.5	2.2	1.9	(13.0)	32.0
DPS (sen)	0.0	0.0	nm	0.0	0.0	0.0	nm	nm
Gross profit margin (%)	5.4	6.2		5.4	8.3	6.2		
EBITDA margin (%)	3.3	4.9		3.3	5.8	4.9		
Pretax margin (%)	3.0	3.5		3.0	3.2	3.5		
Effective tax (%)	21.6	24.3		21.6	13.0	24.3		

Source: Company, AmInvestment Bank Bhd

## EXHIBIT 2: ESG RATING

<b>Overall</b>	★	★	★		
Energy efficiency	★	★	★		
Recycling & waste management	★	★	★		
Reliance on local suppliers	★	★	★		
Employee wellbeing	★	★	★	★	
Human capital development	★	★	★		
Corporate social responsibilities	★	★	★		
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

EXHIBIT 3: PB BAND CHART

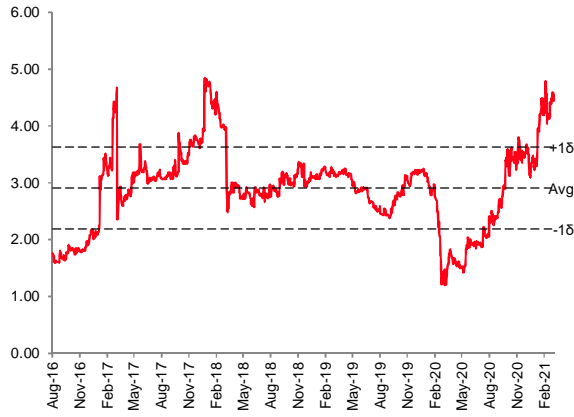
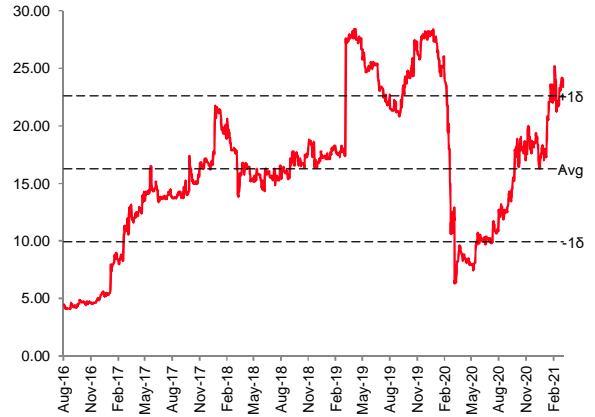


EXHIBIT 4: PE BAND CHART



## EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Mar)	FY20	FY21	FY22F	FY23F	FY24F
Revenue	3,352.2	4,221.8	5,387.3	6,214.2	7,171.3
EBITDA	155.8	236.3	297.9	356.1	432.4
Depreciation/Amortisation	(33.3)	(34.1)	(44.0)	(52.0)	(61.3)
Operating income (EBIT)	122.5	202.3	253.9	304.0	371.1
Other income & associates	-	-	-	-	-
Net interest	(8.3)	(10.5)	(10.2)	(10.2)	(10.2)
<b>Exceptional items</b>	<b>(7.4)</b>	<b>0.2</b>	-	-	-
Pretax profit	106.8	192.0	243.8	293.9	360.9
Taxation	(30.5)	(41.7)	(58.5)	(70.5)	(86.6)
<b>Minorities/pref dividends</b>	-	-	-	-	-
Net profit	76.3	150.3	185.3	223.3	274.3
Core net profit	83.6	150.1	185.3	223.3	274.3
<b>Balance Sheet (RMmil, YE 31 Mar)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22F</b>	<b>FY23F</b>	<b>FY24F</b>
Fixed assets	337.1	368.9	426.2	498.4	580.5
Intangible assets	76.4	76.4	76.4	76.4	76.4
<b>Other long-term assets</b>	-	-	-	-	-
Total non-current assets	413.5	445.3	502.6	574.9	656.9
Cash & equivalent	359.6	351.2	162.4	184.3	220.4
Stock	369.2	459.9	436.4	502.3	577.8
Trade debtors	716.1	984.6	1,254.6	1,447.1	1,670.0
<b>Other current assets</b>	<b>39.8</b>	<b>88.9</b>	<b>88.7</b>	<b>88.7</b>	<b>88.7</b>
Total current assets	1,484.7	1,884.6	1,942.1	2,222.4	2,556.9
Trade creditors	752.8	966.4	1,322.9	1,522.6	1,751.4
Short-term borrowings	354.2	434.6	150.0	150.0	150.0
<b>Other current liabilities</b>	<b>1.7</b>	<b>2.2</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>
Total current liabilities	1,108.7	1,403.2	1,478.9	1,678.6	1,907.4
Long-term borrowings	109.6	118.3	50.0	50.0	50.0
<b>Other long-term liabilities</b>	<b>14.4</b>	<b>19.4</b>	<b>19.4</b>	<b>19.4</b>	<b>19.4</b>
<b>Total long-term liabilities</b>	<b>124.0</b>	<b>137.7</b>	<b>69.4</b>	<b>69.4</b>	<b>69.4</b>
Shareholders' funds	666.9	790.7	917.5	1,070.4	1,258.2
Minority interests	-	-	-	-	-
BV/share (RM)	0.55	0.66	0.76	0.89	1.05
<b>Cash Flow (RMmil, YE 31 Mar)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22F</b>	<b>FY23F</b>	<b>FY24F</b>
Pretax profit	106.8	192.0	243.8	293.9	360.9
Depreciation/Amortisation	33.3	34.1	44.0	52.0	61.3
Net change in working capital	(15.3)	(205.8)	110.0	(58.7)	(69.6)
<b>Others</b>	<b>(18.1)</b>	<b>(27.2)</b>	<b>(48.3)</b>	<b>(60.4)</b>	<b>(76.5)</b>
Cash flow from operations	106.7	(6.9)	349.4	226.8	276.2
Capital expenditure	(36.5)	(13.9)	(107.7)	(124.3)	(143.4)
Net investments & sale of fixed assets	-	-	-	-	-
<b>Others</b>	<b>6.7</b>	<b>16.6</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>
Cash flow from investing	(29.8)	2.8	(105.2)	(121.8)	(140.9)
Debt raised/(repaid)	(26.2)	(40.0)	(352.9)	-	-
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(39.6)	(24.1)	(58.4)	(70.4)	(86.5)
<b>Others</b>	<b>75.4</b>	<b>65.9</b>	<b>(12.7)</b>	<b>(12.7)</b>	<b>(12.7)</b>
<b>Cash flow from financing</b>	<b>9.6</b>	<b>1.8</b>	<b>(424.0)</b>	<b>(83.1)</b>	<b>(99.2)</b>
<b>Net cash flow</b>	<b>86.6</b>	<b>24.9</b>	<b>(179.8)</b>	<b>21.9</b>	<b>36.1</b>
<b>Net cash/(debt) b/f</b>	<b>254.1</b>	<b>340.6</b>	<b>342.2</b>	<b>162.4</b>	<b>184.3</b>
Net cash/(debt) c/f	340.6	365.6	162.4	184.3	220.4
<b>Key Ratios (YE 31 Mar)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22F</b>	<b>FY23F</b>	<b>FY24F</b>
Revenue growth (%)	15.3	25.9	27.6	15.3	15.4
EBITDA growth (%)	(17.1)	51.7	26.1	19.5	21.4
Pretax margin (%)	3.2	4.5	4.5	4.7	5.0
Net profit margin (%)	2.3	3.6	3.4	3.6	3.8
Interest cover (x)	14.7	19.3	25.0	29.9	36.5
Effective tax rate (%)	28.6	21.7	24.0	24.0	24.0
Dividend payout (%)	31.5	31.5	31.5	31.5	31.5
Debtors turnover (days)	79	74	76	79	79
Stock turnover (days)	32	36	30	28	27
Creditors turnover (days)	76	74	78	84	83

Source: Company, AmInvestment Bank Bhd estimates

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