

### COMPANY RESULTS

#### Aztech Global (AZTECH SP)

3Q24: Misses Expectations; Outlook Appears Unexciting

**Aztech's 3Q24 earnings slumped 56% yoy and qoq to S\$14m, bringing 9M24 earnings to 56%/55% of our/consensus estimates and missing expectations. Revenue dropped 20% yoy on poorer customer demand. Orderbook declined to S\$142m as at 1 Oct 24 (vs S\$304m as at 30 Jul 24), with the majority planned for completion in 2024, signalling a weaker 4Q24. Downgrade to HOLD with a lower target price of S\$0.90 (S\$1.25 previously) as we expect near-term headwinds.**

#### 3Q24/9M24 RESULTS

Year to 31 Dec (S\$m)	3Q24	yoy % chg	qoq % chg	9M24	yoy % chg
Revenue	166.7	(41.2)	(31.8)	539.9	(19.7)
PBT	15.7	(64.1)	(56.0)	70.3	(25.8)
Effective tax rate (%)	12.7	(1.1ppt)	(1.0ppt)	14.1	(0.9ppt)
Net profit	13.7	(55.7)	(55.5)	60.4	(18.2)
Net margin (%)	8.2	(2.7ppt)	(4.4ppt)	11.2	+0.2ppt

Source: Aztech Global, UOB Kay Hian

#### RESULTS

- 3Q24 earnings fall short of expectations.** Aztech Global's (Aztech) 3Q24 net profit of S\$14m (-56% yoy and qoq) was way below expectations, with 9M24 net profit of S\$60m (-18% yoy) forming 56%/55% of our/consensus estimates. This was attributed to the 20% yoy fall in 9M24 revenue upon lower customer demand for IoT devices and data-communication products, as well as higher depreciation and net foreign exchange loss due to the weaker US Dollar. Net margin was flat yoy due to a one-time deferred tax provision of S\$5.5m from 2023.
- Orderbook slipped 53% qoq** to S\$142m as at 1 Oct 24 (vs S\$304m as at 30 Jul 24), with the majority scheduled for completion in 2024. As order lead time has normalised to around 1-3 months, the steep deterioration signals a weaker 4Q24.
- Healthy net cash position maintained.** Aztech continues to strengthen its balance sheet, with healthy operating cash flows of S\$90m (+83% yoy) and free cash flow of S\$87m. As a result, its net cash position increased by a substantial 25% yoy to S\$269.8m as at end-Sep 24 (around 34% of market cap).
- Gloomy outlook ahead.** Macroeconomic uncertainties remain with the upcoming US election, Fed meeting in early-Nov 24, escalating geopolitical tensions and heightened competition. To combat this, management reiterated its focus on improving its design and manufacturing capabilities and widening its customer base (eg seeking M&A opportunities). We expect demand to continue to be reasonably weak for the coming quarters.

#### KEY FINANCIALS

Year to 31 Dec (S\$m)	2022	2023	2024F	2025F	2026F
Net turnover	820	896	699	717	740
EBITDA	142	126	83	87	80
Operating profit	134	118	74	78	80
Net profit (rep./act.)	67	100	72	75	77
Net profit (adj.)	67	100	72	75	77
EPS (S\$ cents)	8.7	13.0	9.3	9.7	10.0
PE (x)	11.8	8.0	11.1	10.6	10.3
P/B (x)	2.8	2.3	2.2	2.2	2.1
EV/EBITDA (x)	3.5	3.9	5.9	5.7	6.2
Dividend yield (%)	4.4	7.8	8.3	8.7	9.2
Net margin (%)	8.2	11.2	10.2	10.4	10.4
Net debt/(cash) to equity (%)	(67.1)	(62.1)	(83.9)	(111.5)	(134.0)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	23.3	31.8	20.4	20.7	20.9
Consensus net profit	-	-	108	100	123
UOBKH/Consensus (x)	-	-	0.66	0.75	0.63

Source: Aztech, Bloomberg, UOB Kay Hian

### HOLD

(Downgraded)

Share Price	S\$1.03
Target Price	S\$0.90
Upside	-12.3%
(Previous TP):	S\$1.25

#### COMPANY DESCRIPTION

Aztech Global is an electronics manufacturer with 34 years of proven track record in adapting to evolving trends and transforming from an OEM into a full-fledged manufacturer.

#### STOCK DATA

GICS sector	Information Technology
Bloomberg ticker:	AZTECH SP
Shares issued (m):	771.8
Market cap (S\$m):	794.9
Market cap (US\$m):	600.1
3-mth avg daily t'over (US\$m):	0.6

#### Price Performance (%)

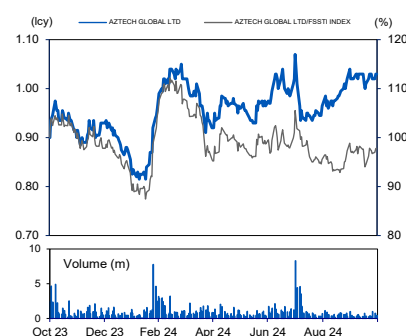
52-week high/low	S\$ 1.08/S\$ 0.805			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
1.0	2.0	10.2	16.4	10.8

#### Major Shareholders

Mun Hong Yew	70.3%
--------------	-------

FY24 NAV/Share (S\$)	0.47
FY24 Net Cash/Share (S\$)	0.39

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

**John Cheong**  
+65 6590 6623  
johncheong@uobkayhian.com

**Heidi Mo**  
+65 6590 6630  
heidimo@uobkayhian.com

### STOCK IMPACT

- **Recent plant visit showcases new capabilities.** From our recent visit to the Pasir Gudang facility, we note that the plant is well equipped with surface-mount technology (SMT) production, product assembly and testing, and packaging capabilities. Additionally, newly set up plastic injection machines will begin mass production from 4Q24, allowing them to reach a larger customer base. The plant has also achieved the ISO 13485:2016 certification, enabling them to design and manufacture medical devices.
- **On its path to digital transformation.** During the quarter, Aztech successfully implemented the Manufacturing Execution System (MES) to automate and streamline the workflow of its SMT lines. This will help to increase operational efficiency, production yield and quality. This is part of its digital transformation plan by end-27.
- **More new product activities in the pipeline.** Aztech has successfully onboarded new customers and increased its customer engagement with new products upcoming. 10 new products (2Q24: eight new products) from the communication, consumer, health-tech and industrial segments are in its portfolio, some of which are scheduled to commence production from 4Q24. Aztech remains committed to effectively engaging new and existing customers to drive new product activities.

### EARNINGS REVISION/RISK

- **We lower our 2024/25/26 revenue forecasts by 26%/29%/31%**, on the back of its lower-than-expected results and orderbook slump as we anticipate further near-term headwinds. Accordingly, our net profit estimates are reduced by 31%/35%/37% for the same period.

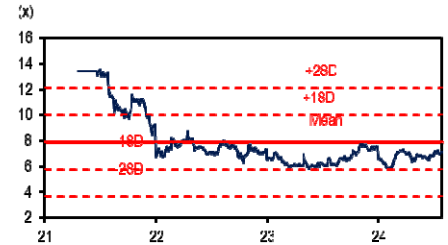
### VALUATION/RECOMMENDATION

- **Downgrade to HOLD with a target price of S\$0.90 (S\$1.25 previously)**, pegged to an unchanged 9x 2025F EPS or 0.5SD above Aztech's long-term mean PE. We have rolled over our valuation base year to 2025.

### SHARE PRICE CATALYST

- Steady order wins.
- Better-than-expected forex gain and cost management.
- Dividend surprise.

### LONG-TERM FORWARD PE BAND



Source: Bloomberg, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Net turnover	896.3	699.5	716.7	739.8
EBITDA	126.3	83.5	87.5	80.0
Deprec. & amort.	8.7	9.4	9.5	0.0
EBIT	117.6	74.1	78.0	80.0
Associate contributions	(0.2)	0.0	0.0	0.0
Net interest income/(expense)	0.0	0.0	0.0	0.0
Pre-tax profit	6.4	8.2	8.1	8.7
Tax	123.7	82.2	86.1	88.7
Minorities	(23.7)	(10.7)	(11.2)	(11.5)
Net profit	0.0	0.0	0.0	0.0
Net profit (adj.)	100.0	71.6	74.9	77.1

### BALANCE SHEET

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Fixed assets	44.8	47.4	49.9	51.4
Other LT assets	1.0	0.0	0.0	0.0
Cash/ST investment	231.4	302.9	411.5	504.4
Other current assets	320.0	261.8	248.6	255.8
<b>Total assets</b>	<b>597.3</b>	<b>612.1</b>	<b>710.1</b>	<b>811.7</b>
ST debt	3.5	3.7	3.7	3.8
Other current liabilities	223.7	189.3	189.1	193.5
LT debt	13.8	0.0	0.0	0.0
Other LT liabilities	11.4	62.6	151.4	240.8
Shareholders' equity	344.9	356.6	365.9	373.5
Minority interest	0.0	0.0	0.0	0.0
<b>Total liabilities &amp; equity</b>	<b>597.3</b>	<b>612.1</b>	<b>710.1</b>	<b>811.7</b>

### CASH FLOW

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
Operating	83.5	56.1	100.1	86.2
Pre-tax profit	123.7	82.2	86.1	88.7
Tax	(22.3)	(18.5)	(10.9)	(11.3)
Deprec. & amort.	8.7	9.4	9.5	10.5
Working capital changes	0.0	0.0	0.0	0.0
Non-cash items	(8.2)	(17.1)	15.4	(1.6)
Investing	(18.5)	0.0	0.0	0.0
Capex (growth)	0.0	0.0	0.0	0.0
Proceeds from sale of assets	(6.2)	39.7	(5.0)	(3.0)
Others	(4.3)	(12.0)	(12.0)	(12.0)
Financing	0.0	0.0	0.0	0.0
Dividend payments	0.2	0.0	0.0	0.0
Issue of shares	(2.2)	51.7	7.0	9.0
Loan repayment	(43.5)	(76.2)	(66.4)	(69.7)
Others/interest paid	(34.7)	(61.8)	(65.6)	(69.5)
Net cash inflow (outflow)	0.0	0.0	0.0	0.0
Beginning cash & cash equivalent	(9.1)	(13.7)	0.1	0.1
Changes due to forex impact	0.4	(0.8)	(0.9)	(0.3)
Ending cash & cash equivalent	33.8	19.6	28.7	13.5

### KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	14.1	11.9	12.2	10.8
Pre-tax margin	13.8	11.8	12.0	12.0
Net margin	11.2	10.2	10.4	10.4
ROA	17.6	11.8	11.3	10.1
ROE	31.8	20.4	20.7	20.9
<b>Growth</b>				
Turnover	9.3	(22.0)	2.5	3.2
EBITDA	(11.2)	(33.9)	4.8	(8.6)
Pre-tax profit	53.3	(33.5)	4.7	3.0
Net profit	48.9	(28.5)	4.7	3.0
Net profit (adj.)	48.9	(28.5)	4.7	3.0
EPS	48.9	(28.5)	4.7	3.0
<b>Leverage</b>				
Debt to total capital	4.8	1.0	1.0	1.0
Debt to equity	5.0	1.0	1.0	1.0
Net debt/(cash) to equity	(62.1)	(83.9)	(111.5)	(134.0)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

## Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

**This report is prepared for general circulation.** It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

**IMPORTANT DISCLOSURES FOR U.S. PERSONS**

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

**Analyst Certification/Regulation AC**

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries or jurisdictions by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2024, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W