

HLIB Research

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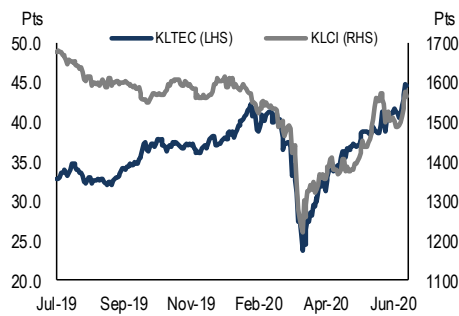
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OVERWEIGHT

(from Neutral)

KLTEC vs KLCI



Stock Rating

Stock	Rating	Price	Target
Frontken	BUY	3.64	4.10
Inari	BUY	2.66	3.28
UWC	BUY	6.33	8.88
Unisem	HOLD	4.13	4.17
ViTrox	HOLD	13.80	11.45
Revenue	HOLD	1.16	1.29

Technology

Apple that defies Newton’s Law of Gravitation

iPhone 12 launch was greeted with overwhelming demand thanks to Huawei’s sourcing woes and spending diversion from tourism to consumer electronics. This iteration’s super cycle is expected to boost those who are in the supply chain. Clarity in iP12’s RF configuration removes our earlier monopoly concern by Qualcomm. Upgrade sector rating to OVERWEIGHT as we expect tech sector to experience multiyear earnings growths supported by fundamental exponential demand. Our forecasts reflect that majority of the companies under coverage will deliver all-time high earnings in the upcoming quarterly results. Although we tactically position ourselves in favour of frontend players, we add Inari on top of Frontken and UWC as our top picks.

5G iPhone 12 comes in 4 variants (mini, iP12, Pro and Pro Max) with varying screen sizes and photography capabilities while other specifications including processor and 5G cellular are largely the same. iP12 and Pro models will hit the shelves on 23 Oct (pre-order started on 16 Oct) while mini and Pro Max will be available on 13 Nov (pre-order on 6 Nov). Slightly lower pricings were largely within street expectations with the exclusions of power adaptor and headphones.

Out of stock. Reservations for iP12 and Pro are so strong that they are reported sold out in Taiwan and US. Apple China website crashed briefly due to huge pre-order traffic. These signs imply that this iPhone iteration is likely to be another super cycle. We are not entirely surprise considering: (i) Huawei, world’s top smartphone brand in terms of shipment, is handicapped in hardware and software sourcing; (ii) travel ban to divert spending from international tourism to consumer electronics (refer to thematic report titled “Galvanizing growth for EMS” dated 24 Sep 2020).

A14 bionic chip. State-of-the-art ARM-based processor comprising of 6-core CPU, 4-core GPU, 16-core neural engine and a machine learning controller (see Figure #1). All in, there are 11.8bn (A13 chip: 8.5bn) transistors and this only possible with the most advance 5nm (A13 chip: 7nm) fabrication process. Apple outsources A14 chip production to world leading foundry TSMC and its supply chain is expected to be the prime beneficiary leveraging on the success of this gadget.

RF. There are two types of 5G RF configurations for all 4 models: (1) mmW and sub-6 hybrid which is only for US market; and (2) sub-6 only for the rest of the world. After years of hiatus due to legal dispute with Apple, Qualcomm has made a comeback by substituting Intel as one of the RF suppliers. While all iP12 models are embedded with its Snapdragon X55 modem (see Figure #2), Qualcomm only supplies RFFE for mmW (QTM525) while RFFE ICs for Sub-6/LTE/UMTS/GSM/CDMA continue to be sourced alternatively. This deviates from our earlier belief that Qualcomm will supply all-in-one RFFE that handles all cellular connectivity. As such, our earlier concern of such a threat on other RFFE vendors’ (Broadcom, Skyworks, Qorvo, etc) becomes invalid.

Frontken. Reiterate **BUY** with higher TP of **RM4.10** (previously RM3.96) as we roll our valuation from FY21 to mid-FY22 EPS with unchanged 40x PE multiple. It has a unique exposure to world’s leading-edge semiconductor frontend supply chain which is currently in high demand on the back of national strategic and security interests. We like Frontken for its multi-year growth ahead on the back of: (1) sustainable global semiconductor market outlook; (2) robust fab investment; (3) leading edge technology (5/3/2nm); and (4) strong balance sheet (net cash of RM247m or 23.4 sen per share) to support its Taiwan semiconductor business expansions.

Inari Amertron. Following our change of view in RF mentioned above, we turn more bullish and confident on its outlook. We raise FY21-23 earnings by 17-19%, lift PE multiple from 30x to 35x and roll forward its valuation from CY21 to FY22 FD EPS,

leading to higher TP of **RM3.28** (previously RM2.24). Upgrade its rating from Hold to **BUY**. iPhone 12 super cycle is likely to boost Inari back to its glory days while opto division is expected to improve with more customer diversifications and partnerships.

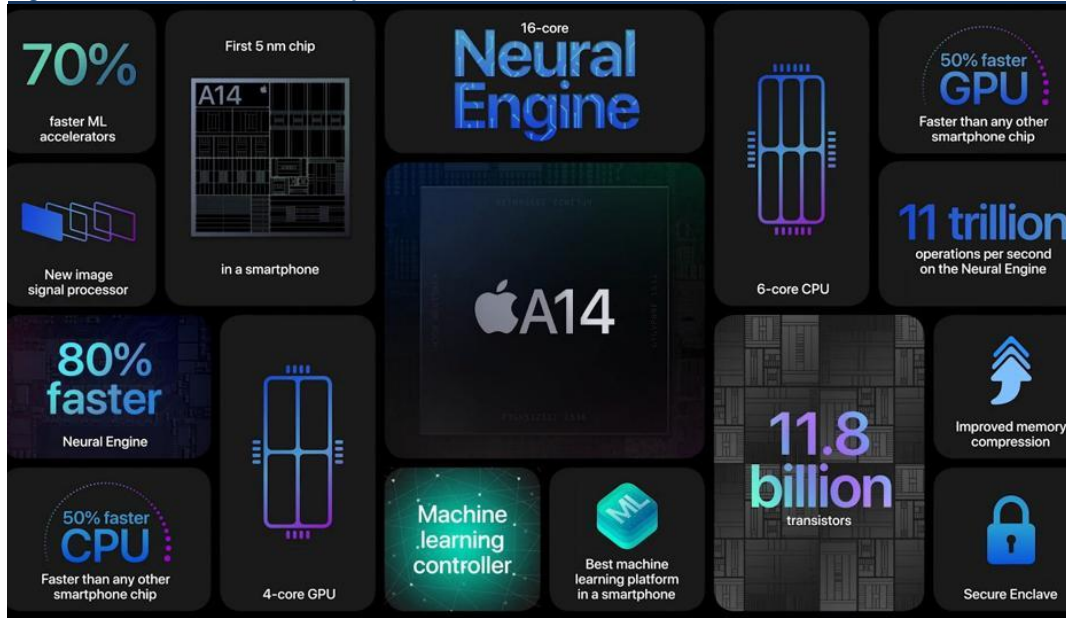
UWC. With its increasing exposure to semiconductor front end supply chain and solid demand for its products, we increase FY21-22 earnings by 4% and 17%, respectively. After rolling our valuation from CY21 to FY22 EPS pegged to unchanged 38x PE, our TP is lifted to **RM8.88** from RM6.56. In turn, we upgrade UWC from Hold to **BUY**. The escalating trade intensity may eventually benefit UWC which provides a one-stop solution as more companies shift productions out of China to avoid import tariffs.

Unisem. Despite trade war and Covid-19 risks, prospects are likely to improve with the (i) closure of loss-making Batam plant; (ii) strengthening USD; (iii) gradual synergistic relationship with TSHT; and (iv) healthy balance sheet. We increase FY20-22 earnings by 32%, 30% and 29%, respectively. As we rollover valuation from FY21 to mid-FY22 EPS on the back of unchanged PE multiple of 20x, our TP is lifted from RM3.13 to **RM4.17**. Maintain **HOLD** taking into consideration of potential share price overhang should TSHT dispose partial holdings to meet public spread requirement.

ViTrox. Following our thematic report titled “*Galvanizing growth for EMS*” dated 24 Sep 2020, we opine that global CM/EMS’ large scale relocation, expansion and order diversion activities are expected to create a big demand for its products. As such, tweak our FY20-22 projections higher by 7%, 22% and 41%, respectively. After we roll our valuation from FY21 to mid-FY22 coupled with higher PE multiple of 35x from 30x, our TP is higher at **RM11.45** (previously RM7.17). As such, its rating is upgraded from Sell to **HOLD**.

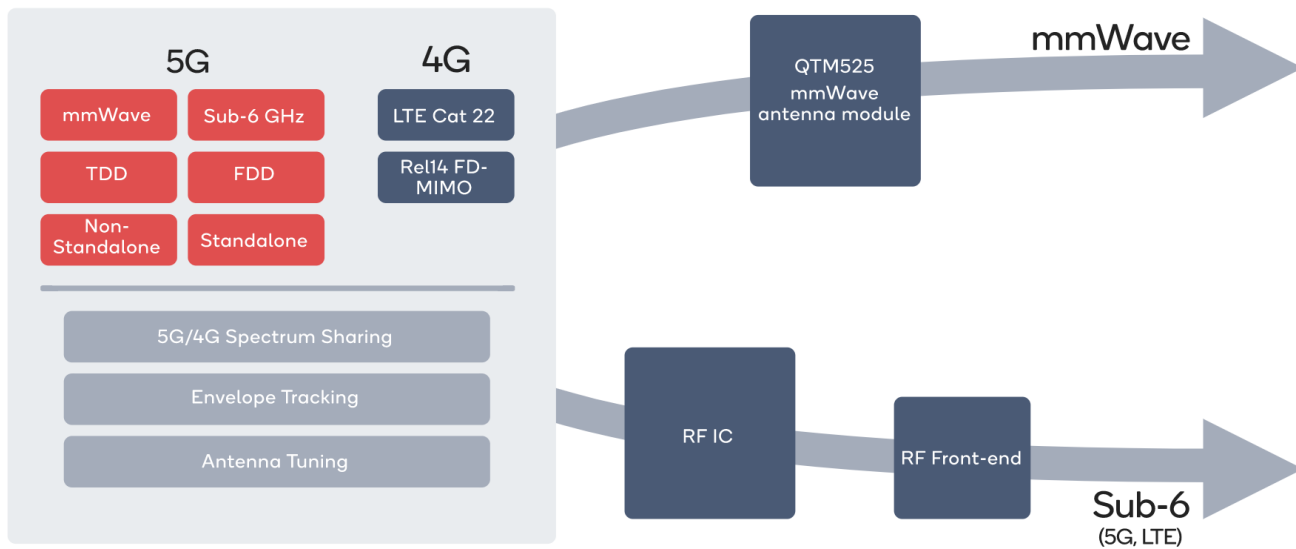
With the promotions of Inari and ViTrox stock calls, we upgrade the sector rating from Neutral to **OVERWEIGHT**. We expect tech sector to experience multiyear earnings growths supported by fundamental exponential demand. Our forecasts reflect that majority of the companies under coverage (Frontken, UWC and ViTrox) will deliver all-time high earnings in the upcoming quarterly results. Although we tactically position ourselves in favour of frontend players, we add **Inari** on top of **Frontken** and **UWC** as our top picks.

Figure #1 A14 Bionic Chip



Apple

Figure #2 5G NR Multi-Mode Modem-to-Antenna Solution



Qualcomm

Inari Amertron Financial Forecast

All items in (RM m) unless otherwise stated

Income statement

FYE Jun	FY19	FY20	FY21f	FY22f	FY23f
Revenue	1,152.9	1,058.0	1,490.8	1,664.2	1,797.3
COGS	(849.8)	(792.1)	(1,098.2)	(1,226.5)	(1,325.0)
EBITDA	303.0	265.8	392.7	437.8	472.4
D&A	(94.9)	(102.4)	(107.8)	(110.0)	(111.8)
EBIT	208.2	163.4	284.9	327.8	360.6
Net Interest Income	8.0	9.5	11.2	9.8	9.6
Associates	0.0	(0.6)	0.0	0.0	0.0
PBT	216.2	172.4	296.1	337.6	370.2
Tax	(23.9)	(15.9)	(29.6)	(33.8)	(37.0)
Net Profit	192.3	156.4	266.5	303.8	333.2
Minority Interests	0.6	(0.7)	0.0	0.0	0.0
PATAMI	193.0	155.8	266.5	303.8	333.2
Exceptionals	(9.8)	(15.1)	0.0	0.0	0.0
Adjusted PATAMI	183.2	140.7	266.5	303.8	333.2
Basic Shares (m)	3,242.0	3,242.0	3,242.0	3,242.0	3,242.0
Rep. EPS sen	6.0	4.8	8.2	9.4	10.3
Adj. EPS sen	5.7	4.3	8.2	9.4	10.3
Adj. FD EPS sen	5.7	4.3	8.2	9.4	10.3

Balance sheet

FYE Jun	FY19	FY20	FY21f	FY22f	FY23f
Cash	429.7	594.6	524.5	516.2	519.4
Receivables	226.9	215.1	306.3	342.0	369.3
Inventories	172.7	145.9	210.6	235.2	254.1
Investments	0.0	5.7	5.7	5.7	5.7
Fixed Assets	489.5	478.8	491.0	501.0	509.2
Intangibles	2.2	2.3	2.3	2.3	2.3
Other Assets	13.2	21.5	21.5	21.5	21.5
Ttl Assets	1,334.1	1,463.8	1,561.8	1,623.8	1,681.5
Payables	154.6	199.4	270.8	302.4	326.7
Short Term Debt	6.2	5.0	5.0	5.0	5.0
Long Term Debt	8.7	1.1	1.1	1.1	1.1
Other Liabilities	42.7	49.3	49.3	49.3	49.3
Ttl Liab	212.2	254.9	326.2	357.9	382.2
Shareholders' Funds	1,118.4	1,204.7	1,231.4	1,261.7	1,295.1
Minority Interests	3.5	4.2	4.2	4.2	4.2
Total S/H Equity	1,122.0	1,208.9	1,235.6	1,266.0	1,299.3
Ttl Liab&S/H Funds	1,334.1	1,463.8	1,561.8	1,623.8	1,681.5

Cashflow Analysis

FYE Jun	FY19	FY20	FY21f	FY22f	FY23f
EBITDA	303.0	265.8	392.7	437.8	472.4
Tax Paid	(35.2)	(21.8)	(29.6)	(33.8)	(37.0)
Working Capital Chgs	(12.6)	89.6	(84.5)	(28.6)	(22.0)
Other	15.0	14.0	11.2	9.8	9.6
Operating CF	270.3	347.6	289.8	385.2	423.0
FCF	86.5	256.0	169.8	265.2	303.0
CAPEX	(183.7)	(91.6)	(120.0)	(120.0)	(120.0)
Asset Sales	1.0	8.6	0.0	0.0	0.0
Acquisitions	0.0	(6.3)	0.0	0.0	0.0
Other	0.0	(6.1)	0.0	0.0	0.0
Investing CF	(182.7)	(95.4)	(120.0)	(120.0)	(120.0)
Dividends	(211.6)	(140.8)	(239.9)	(273.4)	(299.9)
Debt Chgs	0.0	0.0	0.0	0.0	0.0
Other	20.8	41.1	0.0	0.0	0.0
Financing CF	(190.8)	(99.7)	(239.9)	(273.4)	(299.9)
Net Cashflow	(103.2)	152.6	(70.1)	(8.2)	3.1

Quarterly financial summary

FYE Jun	4Q19	1Q20	2Q20	3Q20	4Q20
Revenue	270.7	316.6	265.4	242.6	233.3
COGS	(199.5)	(239.1)	(199.3)	(178.5)	(175.2)
EBITDA	71.2	77.5	66.1	64.1	58.1
D&A	(24.0)	(25.2)	(25.5)	(25.5)	(26.3)
EBIT	47.2	52.3	40.6	38.6	31.9
Net Interest Income	2.1	2.6	2.0	2.3	2.6
Associates	0.0	0.0	0.0	(0.1)	(0.4)
PBT	49.3	54.9	42.7	40.8	34.1
Tax	(10.9)	(7.1)	(5.2)	(5.7)	2.1
Net Profit	38.3	47.7	37.5	35.1	36.1
Minority Interests	1.2	(0.0)	(0.0)	0.0	(0.7)
PATAMI	39.5	47.7	37.5	35.1	35.5
Exceptionals	(6.9)	(0.9)	(3.9)	(13.3)	3.1
Adjusted PATAMI	32.6	46.8	33.6	21.7	38.5
Basic Shares (m)	3,242.0	3,242.0	3,242.0	3,242.0	3,242.0
Rep. EPS sen	1.2	1.5	1.2	1.1	1.1
Adj. EPS sen	1.0	1.4	1.0	0.7	1.2
Adj. FD EPS sen	1.0	1.4	1.0	0.7	1.2

Valuation Ratios

FYE Jun	FY19	FY20	FY21f	FY22f	FY23f
PER (x)	44.7	55.4	32.4	28.4	25.9
Adj. PER (x)	47.1	61.3	32.4	28.4	25.9
FD PER (x)	47.1	61.3	32.4	28.4	25.9
Net DPS sen	5.2	4.4	7.4	8.4	9.2
Net DY (%)	2.0	1.7	2.8	3.2	3.5
Book/share sen	34.5	37.2	38.0	38.9	39.9
P/Book (x)	7.7	7.2	7.0	6.8	6.7
FCF/share sen	2.7	7.9	5.2	8.2	9.3
FCF yield (%)	1.0	3.0	2.0	3.1	3.5
Mkt Cap	8,623.7	8,623.7	8,623.7	8,623.7	8,623.7
Net Cash/(Debt)	414.8	588.4	518.3	510.1	513.2
EV	8,208.9	8,035.3	8,105.4	8,113.6	8,110.5
EV/EBITDA (x)	27.1	30.2	20.6	18.5	17.2
ROE (%)	16.4	11.7	21.6	24.1	25.7
Current Ratio (x)	5.2	4.7	3.8	3.6	3.4
Quick Ratio (x)	4.1	4.0	3.0	2.8	2.7
Interest Cover (x)	179.1	191.5	334.0	384.3	422.7

Other Ratios

FYE Jun	FY19	FY20	FY21f	FY22f	FY23f
Sales Growth (%)		-8.2	40.9	11.6	8.0
EBITDA Growth (%)		-12.3	47.7	11.5	7.9
EBIT Growth (%)		-21.5	74.4	15.1	10.0
PBT Growth (%)		-20.3	71.8	14.0	9.7
Net Profit Growth (%)		-18.7	70.4	14.0	9.7
EBITDA Margin (%)	26.3	25.1	26.3	26.3	26.3
EBIT Margin (%)	18.1	15.4	19.1	19.7	20.1
PBT Margin (%)	18.8	16.3	19.9	20.3	20.6
Net Profit Margin (%)	16.7	14.8	17.9	18.3	18.5
Net Debt/Equity (%)	Cash	Cash	Cash	Cash	Cash
CAPEX/Sales (%)	15.9	8.7	8.0	7.2	6.7

UWC Financial Forecast

All items in (RM m) unless otherwise stated

Income statement

FYE Jul	FY18	FY19	FY20	FY21f	FY22f
Revenue	136.5	144.4	219.1	289.8	406.0
COGS	(89.9)	(87.2)	(136.6)	(168.8)	(231.7)
EBITDA	46.6	57.1	82.4	121.0	174.3
D&A	(7.7)	(9.0)	(10.5)	(12.5)	(15.0)
EBIT	38.8	48.1	72.0	108.5	159.3
Net Interest Income	(1.5)	(1.9)	0.7	1.0	1.3
Associates	0.0	0.0	0.0	0.0	0.0
PBT	37.3	46.2	72.6	109.5	160.6
Tax	(6.1)	(10.0)	(14.9)	(21.9)	(32.1)
Net Profit	31.2	36.2	57.8	87.6	128.5
MI	0.0	0.0	0.0	0.0	0.0
PATAMI	31.2	36.2	57.8	87.6	128.5
Exceptionals	(6.6)	(7.7)	(2.9)	0.0	0.0
Core PATAMI	24.6	28.5	54.9	87.6	128.5
Basic Shares (m)	550.2	550.2	550.2	550.2	550.2
Rep EPS (sen)	5.7	6.6	10.5	15.9	23.4
Core EPS (sen)	4.5	5.2	10.0	15.9	23.4
Core FD EPS (sen)	4.5	5.2	10.0	15.9	23.4

Balance sheet

FYE Jul	FY18	FY19	FY20	FY21f	FY22f
Cash	13.1	54.4	57.8	74.0	101.5
Receivables	38.9	44.5	68.8	95.3	133.5
Inventories	30.8	37.1	43.5	55.5	76.2
Investment	0.0	0.0	0.0	0.0	0.0
PPE	92.5	95.8	109.8	126.3	151.9
Intangibles	0.0	0.0	0.0	0.0	0.0
Other Assets	4.9	0.0	0.6	0.6	0.6
Total Assets	180.2	231.8	280.5	351.7	463.6
Payables	32.2	17.7	36.1	41.6	57.1
ST borrowings	16.4	12.8	2.1	2.1	2.1
LT borrowings	34.9	11.9	2.6	2.6	2.6
Other Liabilities	12.5	12.9	16.5	16.5	16.5
Total liabilities	96.0	55.3	57.2	62.8	78.3
Shareholders' Funds	84.2	176.5	223.3	288.9	385.3
MI	0.0	0.0	0.0	0.0	0.0
Total S/H Equity	84.2	176.5	223.3	288.9	385.3
Ttl Liab&S/H Funds	180.2	231.8	280.5	351.7	463.6

Cashflow Analysis

FYE Jul	FY18	FY19	FY20	FY21f	FY22f
EBITDA	46.6	57.1	82.4	121.0	174.3
Tax Paid	(5.3)	(7.2)	(13.0)	(21.9)	(32.1)
WC Changes	(14.9)	(26.4)	(12.7)	(32.9)	(43.4)
Other	(7.3)	(9.8)	(1.1)	1.0	1.3
CFO	19.1	13.7	55.6	67.1	100.2
FCF	2.8	0.7	34.1	38.1	59.6
CAPEX (CF)	(16.4)	(13.0)	(21.5)	(29.0)	(40.6)
Acquisitions	1.4	13.0	0.0	0.0	0.0
Other	0.4	0.4	1.2	0.0	0.0
CFI	(14.5)	0.4	(20.2)	(29.0)	(40.6)
Dividend	(15.0)	0.0	(11.0)	(21.9)	(32.1)
Debt changes	17.6	(26.6)	(20.5)	0.0	0.0
Other	(1.8)	53.8	(0.4)	0.0	0.0
CCF	0.9	27.2	(31.9)	(21.9)	(32.1)
Net Cashflow	5.5	41.3	3.4	16.2	27.4

Cumulative and quarterly financial summary

FYE Jul	4Q19	1Q20	2Q20	3Q20	4Q20
Revenue	46.9	46.9	54.9	55.8	61.4
COGS	(30.4)	(29.8)	(35.8)	(35.4)	(35.6)
EBITDA	16.5	17.1	19.1	20.4	25.8
D&A	(2.3)	(2.4)	(2.4)	(2.6)	(3.1)
EBIT	14.2	14.7	16.7	17.8	22.7
Net Interest Income	(0.3)	0.1	0.3	0.2	0.1
Associates	0.0	0.0	0.0	0.0	0.0
PBT	13.9	14.8	17.0	18.0	22.8
Tax	(3.8)	(3.6)	(3.7)	(3.4)	(4.2)
Net Profit	10.1	11.2	13.3	14.6	18.6
MI	0.0	0.0	0.0	0.0	0.0
PATAMI	10.1	11.2	13.3	14.6	18.6
Exceptionals	1.0	(0.7)	(0.0)	(1.4)	(0.7)
Core PATAMI	11.1	10.6	13.3	13.2	17.9
Basic Shares (m)	550.2	550.2	550.2	550.2	550.2
Rep EPS (sen)	1.8	2.0	2.4	2.7	3.4
Core EPS (sen)	2.0	1.9	2.4	2.4	3.3
Core FD EPS (sen)	2.0	1.9	2.4	2.4	3.3

Valuation Ratios

FYE Jul	FY18	FY19	FY20	FY21f	FY22f
PER (x)	111.5	96.1	60.3	39.8	27.1
Core PER (x)	141.3	122.2	63.4	39.8	27.1
FD PER (x)	141.3	122.2	63.4	39.8	27.1
DPS (sen)	0.0	3.0	2.0	4.0	5.8
Net DY (%)	0.0	0.5	0.3	0.6	0.9
Book/share (sen)	15.3	32.1	40.6	52.5	70.0
P/Book (x)	41.4	19.7	15.6	12.1	9.0
FCF/share (sen)	0.5	0.1	6.2	6.9	10.8
FCF yield (%)	0.1	0.0	1.0	1.1	1.7
Mkt Cap	3,482.8	3,482.8	3,482.8	3,482.8	3,482.8
Net Cash(Debt)	(38.2)	29.7	53.1	69.4	96.8
EV	3,521.0	3,453.1	3,429.6	3,413.4	3,386.0
EV/EBITDA (x)	75.6	60.4	41.6	28.2	19.4
ROE (%)	29.3	16.1	24.6	30.3	33.4
Current Ratio (x)	1.7	4.5	4.5	5.1	5.3
Quick Ratio (x)	1.1	3.2	3.3	3.9	4.0
Interest Cover (x)	22.0	20.6	136.3	463.1	680.1

Other Ratios

FYE Jul	FY18	FY19	FY20	FY21f	FY22f
Sales Growth (%)		5.8	51.7	32.3	40.1
EBITDA Growth (%)		22.7	44.3	46.7	44.1
EBIT Growth (%)		23.9	49.6	50.7	46.9
PBT Growth (%)		23.7	57.2	50.7	46.8
Net Profit Growth (%)		16.1	59.4	51.6	46.8
Core PATAMI Growth (%)		15.6	92.7	59.5	46.8
EBITDA Margin (%)	34.1	39.6	37.6	41.7	42.9
EBIT Margin (%)	28.5	33.3	32.9	37.4	39.2
PBT Margin (%)	27.3	32.0	33.2	37.8	39.6
Net Profit Margin (%)	22.9	25.1	26.4	30.2	31.7
Core PATAMI Margin (%)	18.1	19.7	25.1	30.2	31.7
Net Debt/Equity (%)	45.4	Cash	Cash	Cash	Cash
CAPEX/Sales (%)	12.0	9.0	9.8	10.0	10.0

Unisem Financial Forecast

All items in (RM m) unless otherwise stated

Income statement

FYE Dec	FY18	FY19	FY20f	FY21f	FY22f
Revenue	1,351.3	1,251.2	1,252.2	1,329.8	1,343.1
COGS	-1,075.7	-1,069.3	-939.1	-997.4	-1,007.3
EBITDA	275.6	181.9	313.0	332.5	335.8
D&A	-164.7	-167.5	-153.2	-156.7	-153.8
EBIT	110.9	14.4	159.9	175.8	182.0
Net Interest Income	0.2	-0.8	-3.6	-1.9	-0.5
Associates	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
PBT	111.1	13.6	156.3	173.9	181.5
Tax	-15.2	-23.9	-21.9	-24.4	-25.4
Net Profit	95.8	-10.3	134.4	149.6	156.1
Minority Interests	0.0	-0.7	0.0	0.0	0.0
Reported PATAMI	95.8	-9.5	134.4	149.6	156.1
Adjusted PATAMI	86.3	69.6	134.4	149.6	156.1
Basic Shares (m)	733.8	733.8	733.8	733.8	733.8
Rep. EPS sen	13.1	-1.3	18.3	20.4	21.3
Adj. EPS sen	11.8	9.5	18.3	20.4	21.3
Adj. FD EPS sen	11.8	9.5	18.3	20.4	21.3

Balance sheet

FYE Dec	FY18	FY19	FY20f	FY21f	FY22f
Cash	344	343	457	549	645
Receivables	169	158	158	168	170
Inventories	178	154	135	144	145
Investments	9	10	11	12	13
Fixed Assets	1,094	1,100	1,072	1,048	1,029
Intangibles	0	0	0	0	0
Other Assets	10	7	6	5	4
Ttl Assets	1,804	1,772	1,840	1,927	2,007
Payables	232	192	193	204	206
Short Term Debt	62	53	53	53	53
Long Term Debt	11	121	121	121	121
Other Liabilities	60	51	51	51	51
Ttl Liab	365	417	417	429	431
Shareholders' Funds	1,431	1,355	1,422	1,497	1,575
Minority Interests	7	0	0	0	0
Total S/H Equity	1,438	1,355	1,422	1,497	1,575
Ttl Liab&S/H Funds	1,804	1,772	1,840	1,927	2,007

Cashflow Analysis

FYE Dec	FY18	FY19	FY20f	FY21f	FY22f
EBIT	111	14	160	176	182
Tax Paid	-15	-5	-22	-24	-25
Working Capital Chgs	4	-5	19	-6	-1
Other	138	157	150	155	153
Operating CF	237	161	306	300	309
FCF	65	-68	181	167	175
CAPEX	-172	-229	-125	-133	-134
Asset Sales	0	0	0	0	0
Acquisitions	0	0	0	0	0
Other	6	7	0	0	0
Investing CF	-166	-221	-125	-133	-134
Dividends	-88	-36	-67	-75	-78
Debt Chgs	29	101	0	0	0
Other	-16	-1	0	0	0
Financing CF	-76	63	-67	-75	-78
Net Cashflow	-4	3	114	92	96

Quarterly financial summary

FYE Dec	2Q19	3Q19	4Q19	1Q20	2Q20
Revenue	311.9	316.3	319.8	273.3	310.1
COGS	-249.1	-263.0	-298.5	-229.7	-226.2
EBITDA	62.8	53.3	21.4	43.6	83.9
D&A	-41.6	-41.6	-42.8	-40.9	-41.1
EBIT	21.2	11.7	-21.4	2.7	42.8
Net Interest Income	-1.6	-1.9	-1.5	-1.6	-1.4
Associates	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
PBT	19.6	9.8	-22.9	1.2	41.4
Tax	-5.4	-13.3	-4.1	-4.0	-7.5
Net Profit	14.2	-3.5	-27.0	-2.8	34.0
Minority Interests	-0.2	-0.3	-0.1	0.0	0.0
Reported PATAMI	14.5	-3.2	-26.9	-2.8	34.0
Adjusted PATAMI	10.7	20.7	29.9	-6.4	33.5
Basic Shares (m)	733.8	733.8	733.8	733.8	733.8
Rep. EPS sen	2.0	-0.4	-3.7	-0.4	4.6
Adj. EPS sen	1.5	2.8	4.1	-0.9	4.6
Adj. FD EPS sen	1.5	2.8	4.1	-0.9	4.6

Valuation Ratios

FYE Dec	FY18	FY19	FY20f	FY21f	FY22f
PER (x)	31.6	-317.6	22.5	20.3	19.4
Adj. PER (x)	35.1	43.5	22.5	20.3	19.4
FD PER (x)	35.1	43.5	22.5	20.3	19.4
Net DPS sen	7.5	6.0	9.2	10.2	10.6
Net DY (%)	1.8	1.5	2.2	2.5	2.6
Book/share sen	1.9	1.8	1.9	2.0	2.1
P/Book (x)	2.1	2.2	2.1	2.0	1.9
FCF/share sen	8.9	-9.2	24.7	22.8	23.8
FCF yield (%)	2.1	-2.2	6.0	5.5	5.8
Mkt Cap	3,031	3,031	3,031	3,031	3,031
Net Cash(Debt)	271	169	283	375	471
EV	2,760	2,862	2,748	2,656	2,559
EV/EBITDA (x)	10.0	15.7	8.8	8.0	7.6
ROE (%)	6.0	5.1	9.5	10.0	9.9
Current Ratio (x)	2.3	2.6	2.9	3.2	3.6
Quick Ratio (x)	1.7	2.0	2.4	2.7	3.0
Interest Cover (x)	22.5	2.4	18.4	20.2	20.9

Other Ratios

FYE Dec	FY18	FY19	FY20f	FY21f	FY22f
Sales Growth (%)	-7.8	-7.4	0.1	6.2	1.0
EBITDA Growth (%)	-20.7	-34.0	72.1	6.2	1.0
EBIT Growth (%)	-38.4	-87.0	1010.8	9.9	3.5
PBT Growth (%)	-38.6	-87.7	1047.6	11.3	4.4
Net Profit Growth (%)	-39.9	-110.0	-1508.9	11.3	4.4
EBITDA Margin (%)	20.4	14.5	25.0	25.0	25.0
EBIT Margin (%)	8.2	1.2	12.8	13.2	13.6
PBT Margin (%)	8.2	1.1	12.5	13.1	13.5
Net Profit Margin (%)	7.1	-0.8	10.7	11.2	11.6
Net Debt/Equity (%)	Cash	Cash	Cash	Cash	Cash
CAPEX/Sales (%)	12.7	18.3	10.0	10.0	10.0

ViTrox Financial Forecast

All items in (RM m) unless otherwise stated

Income statement

FYE Dec	FY18	FY19	FY20f	FY21f	FY22f
Revenue	394.7	339.6	428.8	555.3	626.9
COGS	(280.2)	(253.2)	(319.2)	(405.5)	(443.6)
EBITDA	114.5	86.4	109.6	149.8	183.3
D&A	(7.5)	(9.0)	(8.7)	(9.3)	(9.0)
EBIT	107.0	77.4	100.9	140.4	174.3
Net Interest Income	6.1	4.1	2.8	1.2	2.5
Associates	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
PBT	113.1	81.5	103.6	141.7	176.8
Tax	(7.6)	(1.8)	(3.5)	(4.5)	(5.6)
Net Profit	105.5	79.7	100.1	137.2	171.2
Minority Interests	0.0	0.0	0.0	0.0	0.0
Reported PATAMI	105.5	79.7	100.1	137.2	171.2
Adjusted PATAMI	104.3	79.7	100.1	137.2	171.2
Basic Shares (m)	471.0	471.0	471.0	471.0	471.0
Rep. EPS sen	22.4	16.9	21.3	29.1	36.3
Adj. EPS sen	22.4	16.9	21.3	29.1	36.3
Adj. FD EPS sen	22.4	16.9	21.3	28.9	36.0

Balance sheet

FYE Dec	FY18	FY19	FY20f	FY21f	FY22f
Cash	148.7	191.6	193.6	278.7	388.2
Receivables	156.7	126.4	166.2	190.7	215.3
Inventories	103.7	111.5	159.9	175.3	197.5
Investments	0.0	0.0	0.0	0.0	0.0
Fixed Assets	155.1	133.9	130.0	125.3	120.9
Intangibles	0.7	0.1	0.1	0.1	0.1
Other Assets	11.2	53.2	53.3	53.3	53.3
Ttl Assets	576.1	616.7	703.1	823.4	975.3
Payables	83.9	68.3	92.6	106.3	120.0
Short Term Debt	3.1	7.3	7.6	7.6	7.6
Long Term Debt	53.1	41.4	39.5	39.5	39.5
Other Liabilities	22.5	17.3	23.9	23.9	23.9
Ttl Liab	162.6	134.3	163.7	177.3	191.0
Shareholders' Funds	413.5	482.4	539.5	646.0	784.2
Minority Interests	0.0	0.0	0.0	0.0	0.0
Total S/H Equity	413.5	482.4	539.5	646.0	784.2
Ttl Liab&S/H Funds	576.1	616.7	703.1	823.4	975.3

Cashflow Analysis

FYE Dec	FY18	FY19	FY20f	FY21f	FY22f
EBITDA	114.5	86.4	109.6	149.8	183.3
Net Interest	6.1	4.1	2.8	1.2	2.5
Tax Paid	(7.6)	(1.8)	(3.5)	(4.5)	(5.6)
Working Capital Chgs	(64.1)	6.9	(63.9)	(26.2)	(33.0)
Other	(1.7)	(9.2)	2.7	0.0	0.0
Operating CF	47.3	86.3	47.7	120.3	147.1
FCF	19.2	74.4	42.9	115.7	142.6
CAPEX	(28.1)	(11.9)	(4.9)	(4.6)	(4.6)
Asset Sales	0.3	1.3	0.7	0.0	0.0
Acquisitions	0.0	0.0	0.0	0.0	0.0
Other	4.4	3.2	0.7	0.0	0.0
Investing CF	(23.4)	(7.4)	(3.4)	(4.6)	(4.6)
Dividends	(21.2)	(27.1)	(37.7)	(30.6)	(33.0)
Debt Chgs	(2.3)	(7.5)	(1.6)	0.0	0.0
Other	(1.9)	(0.7)	(2.6)	0.0	0.0
Financing CF	(25.3)	(35.3)	(41.9)	(30.6)	(33.0)
Net Cashflow	(1.4)	43.7	2.4	85.1	109.6

Quarterly financial summary

FYE Dec	2Q19	3Q19	4Q19	1Q20	2Q20
Revenue	89.0	66.5	95.1	90.3	96.5
COGS	(62.9)	(50.8)	(76.3)	(67.1)	(72.5)
EBITDA	26.1	15.7	18.8	23.2	24.1
D&A	(2.3)	(2.3)	(2.3)	(2.0)	(1.9)
EBIT	23.9	13.5	16.5	21.2	22.2
Net Interest Income	1.1	0.8	0.7	0.8	1.5
Associates	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
PBT	25.0	14.3	17.2	21.9	23.7
Tax	(0.6)	(0.4)	0.6	(0.9)	(0.8)
Net Profit	24.4	13.9	17.8	21.1	22.9
Minority Interests	0.0	0.0	0.0	0.0	0.0
Reported PATAMI	24.4	13.9	17.8	21.1	22.9
Adjusted PATAMI	24.0	14.4	19.8	20.5	23.1
Basic Shares (m)	471.0	471.0	471.0	471.0	471.0
Rep. EPS sen	5.2	2.9	3.8	4.5	4.9
Adj. EPS sen	5.1	3.1	4.2	4.3	4.9
Adj. FD EPS sen	5.1	3.1	4.2	4.3	4.9

Valuation Ratios

FYE Dec	FY18	FY19	FY20f	FY21f	FY22f
PER (x)	61.6	81.6	64.9	47.4	38.0
Adj. PER (x)	61.6	81.6	64.9	47.4	38.0
FD PER (x)	61.6	81.6	64.9	47.8	38.3
Net DPS sen	5.8	5.2	6.5	6.5	7.0
Net DY (%)	0.4	0.4	0.5	0.5	0.5
Book/share sen	87.8	102.4	114.5	137.2	166.5
P/Book (x)	15.7	13.5	12.0	10.1	8.3
FCF/share sen	4.1	15.8	9.1	24.6	30.3
FCF yield (%)	0.3	1.1	0.7	1.8	2.2
Mkt Cap	6,499.8	6,499.8	6,499.8	6,499.8	6,499.8
Net Cash/(Debt)	92.5	142.9	146.5	231.5	341.1
EV	6,407.3	6,356.9	6,353.3	6,268.3	6,158.7
EV/EBITDA (x)	56.0	73.6	58.0	41.9	33.6
ROE (%)	25.2	16.5	18.6	21.2	21.8
Current Ratio (x)	4.0	4.9	4.4	4.9	5.5
Quick Ratio (x)	3.0	3.7	3.1	3.6	4.1
Interest Cover (x)	101.5	37.6	68.7	100.3	124.5

Other Ratios

FYE Dec	FY18	FY19	FY20f	FY21f	FY22f
Sales Growth (%)	20.5	(14.0)	26.3	29.5	12.9
EBITDA Growth (%)	31.2	(24.6)	26.8	36.7	22.4
EBIT Growth (%)	32.8	(27.7)	30.4	39.2	24.1
PBT Growth (%)	30.7	(28.0)	27.2	36.7	24.8
Net Profit Growth (%)	27.1	(24.5)	25.7	37.0	24.8
EBITDA Margin (%)	29.0	25.4	25.6	27.0	29.2
EBIT Margin (%)	27.1	22.8	23.5	25.3	27.8
PBT Margin (%)	28.7	24.0	24.2	25.5	28.2
Net Profit Margin (%)	26.7	23.5	23.4	24.7	27.3
Net Debt/Equity (%)	Cash	Cash	Cash	Cash	Cash
CAPEX/Sales (%)	7.1	3.5	1.1	0.8	0.7

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