

COMPANY RESULTS

Aztech Global (AZTECH SP)

2021: Results In Line, Robust Orderbook Indicates Strong Growth For 2022

2021 net profit of S\$74m (+34% yoy) is in line with our forecast. IoT devices continued to be a key growth driver. Dividend of 5 S cents was a positive surprise vs our estimate of 4 S cents. Aztech recorded a robust orderbook of S\$762m as at 22 Feb 22, which is 22% higher than its 2021 revenue; this indicates strong revenue growth for 2022. Also, Aztech is optimistic on its business prospects on the back of strong global demand for IOT devices. Maintain BUY and target price of S\$1.55.

2021 RESULTS

Year to 31 Dec (S\$m)	4Q21	3Q21	qoq % chg	2021	2020	yoy % chg
Revenue	233.7	141.1	+65.6	624.4	484.3	+28.9
PBT	31.1	20.3	+53.2	85.0	66.5	+27.7
PBT margin (%)	13.3	14.4	-1.1ppt	13.6	13.7	-0.1ppt
Net profit	27.0	18.0	+50.0	74.4	55.7	+33.5
Net margin (%)	11.5	12.8	-1.3ppt	11.9	11.5	+0.4ppt

Source: Aztech Global, UOB Kay Hian

RESULTS

- Strong 2021 results, in line with our expectations.** Aztech Global's (Aztech) 2021 net profit of S\$74m (+34% yoy) is in line with our estimate. Despite a tough operating environment caused by global logistical and component challenges, revenue for 4Q21 grew 65% qoq and 5% yoy. IoT devices and data-communication products continued to be a key growth driver. In 2021, the IOT devices segment grew 40% to S\$597m (which accounted for 96% of total revenue), buoyed by the core markets of North America and Europe which contributed over 96% of total revenue.
- Dividend surprised on the upside.** On the back of the strong financial performance, Aztech has recommended a final dividend of 5 S cents per share; this is a positive surprise vs our estimate of 4 S cents. The dividend payout ratio of 51.9% was higher than the indicated distribution of at least 30% of net profits excluding exceptional items.
- Optimistic on 2022 business outlook, backed by robust orderbook.** Aztech is optimistic on its 2022 business outlook as it expects its operations to benefit from: a) healthy global demand for IOT and data communication products, b) improving vaccination rates against COVID-19. To date, 98% of Aztech's employees in China had been fully vaccinated and 46% have received their third dose. In Malaysia, its manufacturing facility is back to operating at 100% workforce after achieving a plant-wide vaccination rate of 100% with close to 17% of eligible workforce being vaccinated with the third dose, and c) Aztech recorded a robust orderbook of S\$762m as at 22 Feb 22, which is 22% higher than its 2021 revenue, indicating a strong revenue growth for 2022.

KEY FINANCIALS

Year to 31 Dec (S\$m)	2020	2021	2022F	2023F	2024F
Net turnover	484	624	766	954	1,063
EBITDA	80	91	122	154	175
Operating profit	72	81	108	134	151
Net profit (rep./act.)	56	74	90	113	127
Net profit (adj.)	56	74	90	113	127
EPS (S\$ cents)	9.0	10.0	11.7	14.6	16.4
PE (x)	10.2	9.2	7.8	6.3	5.6
P/B (x)	13.6	2.3	2.0	1.7	1.4
EV/EBITDA (x)	5.1	4.5	3.4	2.7	2.3
Dividend yield (%)	2.2	5.5	5.7	7.2	8.1
Net margin (%)	11.5	11.9	11.8	11.8	12.0
Net debt/(cash) to equity (%)	51.8	(63.8)	(85.2)	(81.0)	(92.3)
Interest cover (x)	69.2	134.2	94.4	235.1	264.0
ROE (%)	173.3	44.5	28.2	29.4	27.8
Consensus net profit	-	-	94	113	-
UOBKH/Consensus (x)	-	-	0.96	1.00	-

Source: Aztech, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.915
Target Price	S\$1.55
Upside	+69.5%

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):	772.0
Market cap (S\$m):	706.3
Market cap (US\$m):	524.3
3-mth avg daily t'over (US\$m):	1.1

Price Performance (%)

52-week high/low	S\$1.52/S\$0.795			
1mth	3mth	6mth	1yr	YTD
2.2	(12.0)	(11.2)	n.a.	4.6

Major Shareholders

Aztech Group Ltd.	70.1%
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FY22 NAV/Share (S\$) 0.45

FY22 Net Cash/Share (S\$) 0.38

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Committed to fortifying business resiliency.** This year, Aztech is committed to fortifying its business resiliency through five key focuses to pivot growth and diversification across multi-sectors powered by the IoT trend. The five key focuses are: a) growing new IoT customers and products to enhance growth resiliency and widening its portfolio of high-quality customers, b) deepening manufacturing, technology and IoT expertise to drive innovation and growth in anticipation of new demands, c) excellent business execution capability to optimise factors of production and output, d) integrating sustainability into its business model and strategic formulation to future-proof business resiliency, and e) disciplined balance sheet and cost management to ensure adequacy of its financial resources for operational and expansion needs.

EARNINGS REVISION/RISK

- We have kept our financial estimates unchanged and introduced our forecast for 2024.

VALUATION/RECOMMENDATION

- **Maintain BUY with a target price of S\$1.55**, pegged to an unchanged 13.3x 2022F earnings, which is still based on the Singapore and Malaysia peers' average. We continue to like Aztech as the proxy to high-growth IoT products, where we believe orders are just starting to ramp up in 2021 and would sustain into 2022.

SHARE PRICE CATALYST

- More order wins.
- Better-than-expected cost management.
- Earnings or dividend surprise.

PEER COMPARISON

Company	Ticker	Price @ 22 Feb 22 (Icy)	Market Cap (US\$m)	----- PE -----			P/B 2022 (x)	EV/EBITDA 2022 (x)	ROE 2022 (%)	Yield 2022 (%)
				2021 (x)	2022 (x)	2023 (x)				
Singapore Peers										
AEM	AEM SP	4.15	954	15.0	10.4	9.2	2.7	8.0	28.8	2.4
Frencken	FRKN SP	1.62	514	11.4	10.3	8.6	1.6	5.9	16.5	2.9
Fu Yu	FUYU SP	0.265	148	13.3	10.0	9.7	1.1	3.6	10.9	6.0
UMS	UMSH SP	1.2	595	12.5	11.0	10.6	2.3	9.0	22.8	2.7
Valuetronics	VALUE SP	0.52	168	15.6	12.2	11.5	0.9	1.8	7.5	3.3
Venture Corp	VMS SP	17.88	3,860	16.8	15.9	14.7	1.9	10.5	12.0	4.2
Average				14.1	11.6	10.7	1.7	6.5	16.4	3.6
Malaysia Peers										
V.S. Industry	VSI MK	1.14	1,040	17.3	15.8	12.4	2.0	9.2	13.4	3.0
ATA IMS	AIB MK	0.445	128	34.2	11.4	8.2	0.7	6.5	8.4	8.8
Skp Resources	SKP MK	1.49	556	14.6	11.8	10.6	2.6	7.6	23.8	4.3
Average				22.0	13.0	10.4	1.8	7.8	15.2	5.3
Aztech	AZTECH SP	0.915	525	9.2	7.8	6.3	2.0	3.4	28.2	5.7

Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Net turnover	624.4	766.1	954.5	1,062.6
EBITDA	90.8	122.0	153.7	175.3
Deprec. & amort.	10.2	13.8	19.5	24.0
EBIT	80.6	108.3	134.2	151.3
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(0.7)	(1.3)	(0.7)	(0.7)
Pre-tax profit	85.0	107.0	133.5	150.6
Tax	(10.6)	(16.7)	(20.5)	(23.3)
Minorities	0.0	0.0	0.0	0.0
Net profit	74.4	90.2	113.0	127.3
Net profit (adj.)	74.4	90.2	113.0	127.3

CASH FLOW

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Operating	41.9	145.2	80.6	150.6
Pre-tax profit	85.0	107.0	133.5	150.6
Tax	(15.8)	(10.2)	(16.5)	(20.4)
Deprec. & amort.	10.2	13.8	19.5	24.0
Working capital changes	(40.8)	34.7	(55.9)	(3.7)
Non-cash items	3.3	0.0	0.0	0.0
Investing	(4.1)	(18.3)	(13.0)	(13.0)
Capex (growth)	(4.8)	(20.0)	(13.0)	(13.0)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	0.7	1.7	0.0	0.0
Financing	151.9	(39.1)	(38.3)	(48.4)
Dividend payments	(15.3)	(37.2)	(40.6)	(50.9)
Issue of shares	190.7	0.0	0.0	0.0
Loan repayment	(18.3)	(0.6)	2.9	3.1
Others/interest paid	(5.1)	(1.3)	(0.7)	(0.7)
Net cash inflow (outflow)	189.7	87.8	29.3	89.2
Beginning cash & cash equivalent	11.5	201.5	310.5	357.4
Changes due to forex impact	0.3	21.2	17.6	32.3
Ending cash & cash equivalent	201.5	310.5	357.4	478.8

BALANCE SHEET

Year to 31 Dec (\$m)	2021	2022F	2023F	2024F
Fixed assets	26.6	32.8	26.3	15.3
Other LT assets	0.0	0.0	0.0	0.0
Cash/ST investment	201.5	310.5	357.4	478.8
Other current assets	290.1	325.2	449.1	481.8
Total assets	518.2	668.5	832.8	975.9
ST debt	11.9	14.1	17.1	20.2
Other current liabilities	208.5	284.7	356.2	388.0
LT debt	2.8	0.0	0.0	0.0
Other LT liabilities	2.0	21.8	39.3	71.1
Shareholders' equity	293.0	347.9	420.3	496.7
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	518.2	668.5	832.8	975.9

KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	14.5	15.9	16.1	16.5
Pre-tax margin	13.6	14.0	14.0	14.2
Net margin	11.9	11.8	11.8	12.0
ROA	18.2	15.2	15.1	14.1
ROE	44.5	28.2	29.4	27.8
Growth				
Turnover	28.9	22.7	24.6	11.3
EBITDA	13.1	34.3	25.9	14.1
Pre-tax profit	27.7	25.9	24.8	12.8
Net profit	33.5	21.3	25.2	12.6
Net profit (adj.)	33.5	21.3	25.2	12.6
EPS	11.0	16.6	25.2	12.6
Leverage				
Debt to total capital	4.8	3.9	3.9	3.9
Debt to equity	5.0	4.1	4.1	4.1
Net debt/(cash) to equity	(63.8)	(85.2)	(81.0)	(92.3)
Interest cover (x)	134.2	94.4	235.1	264.0

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