

Singapore

March 15, 2022 - 6:54 PM

ADD (no change)

Consensus ratings*: Buy 4 Hold 0 Sell 0

Current price:	S\$0.89
Target price:	S\$1.59
Previous target:	S\$1.59
Up/downside:	78.7%
CGS-CIMB / Consensus:	10.6%
Reuters:	AZTE.SI
Bloomberg:	AZTECH SP
Market cap:	US\$503.8m
	S\$687.0m
Average daily turnover:	US\$1.25m
	S\$1.69m
Current shares o/s	772.0m
Free float:	29.7%

*Source: Bloomberg

Key financial forecasts

	Dec-22F	Dec-23F	Dec-24F
Net Profit (S\$m)	90.3	102.6	113.0
Normalised EPS (S\$)	0.12	0.13	0.15
Normalised EPS Growth	21.4%	13.6%	10.1%
FD Normalised P/E (x)	7.61	6.70	6.08
Recurring ROE	28.6%	28.2%	27.0%
P/BV (x)	2.03	1.76	1.54
DPS (S\$)	0.058	0.066	0.073
Dividend Yield	6.57%	7.47%	8.22%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-0.6	-2.7	-31
Relative (%)	4.9	-6.3	-35.4

Major shareholders	% held
Aztech Group Ltd	70.2
HSBC Holdings PLC	

Analyst(s)

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Aztech Global Ltd

Dongguan also in lockdown

- Aztech Global Ltd (Aztech) today announced a halt in production at its Dongguan plant over 15-21 Mar 2022 as the city has gone into lockdown.
- Its Malaysia factory continues to operate as normal.
- We think its 1Q22F revenue will be affected and Aztech will need to catch up on production once the Dongguan lockdown is lifted.

Dongguan locks down to combat Covid-19

- Dongguan has been put into a lockdown today (15 Mar 2022), with the date of the lifting of lockdown tentatively set at 21 Mar 2022 (source: www.thestandard.com.hk).
- In Jun 2021, factories in Dongguan had faced similar production restrictions as the authorities tried to limit the spread of the Delta variant of Covid-19.

Aztech's 1Q22F will likely be affected

- Aztech today (15 Mar 2022) issued a public update that the Dongguan government has announced a mass polymerase chain reaction (PCR) testing exercise for all residents within the city to control the spread of Covid-19.
- To support the testing and prevention of further spread of Covid-19, Aztech's manufacturing plants have been ordered to stop work for the period of 15 to 21 Mar 2022.
- All production activities have ceased as of today and all employees are required to report for PCR testing in line with the guidelines implemented by the Dongguan Covid-19 task force.
- In its public announcement, Aztech said it will cooperate fully with the local government's directives and make all efforts to resume production activities as soon as practicable.
- Meanwhile, Aztech's plant in Malaysia remains fully operational.
- We think Aztech will need to catch up on production in 2Q22F. There are 90 days in 1Q22F and its Dongguan plant shutdown from 15 to 21 Mar translates into 7 days of lost production for the China factory.
- Based on our estimates, the Dongguan plant could account for an estimated 80% of Aztech's total production floor space.

Reiterate Add

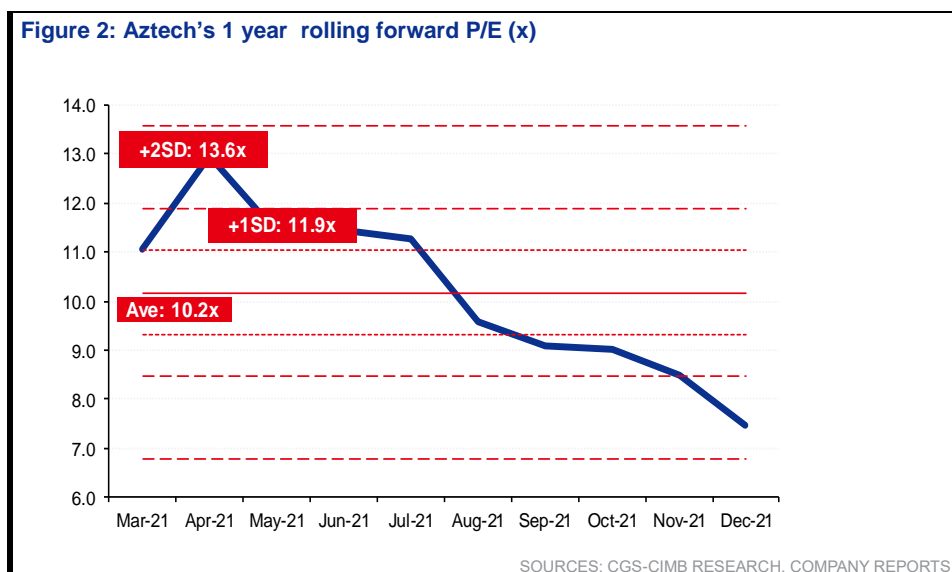
- We keep our Add call and TP of S\$1.59, based on 12.0x (+1 s.d above its 1 year forward P/E multiple) CY23F EPS forecast.
- Potential re-rating catalyst could be new customer wins.
- Downside risks to our call are component shortages and Covid-19-related supply chain disruptions. If the Dongguan lockdown is prolonged, Aztech's financial performance for 1H22F will be negatively affected.

Figure 1: Peer comparison

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)	Dividend Yield (%)
						CY22F	CY23F		CY22F	CY23F		
Aztech Global Ltd	AZTECH SP	Add	0.89	1.59	504	7.6	6.7	10.5%	2.03	1.76	28.8%	6.6%
Singapore												
AEM Holdings Ltd	AEM SP	Add	4.15	6.85	941	10.4	9.5	13.0%	2.60	2.15	27.6%	2.4%
Frencken Group Ltd	FRKN SP	Add	1.52	2.06	476	9.4	8.5	10.6%	1.52	1.35	17.2%	3.2%
Grand Venture Technology Ltd	GVTL SP	Add	0.91	1.60	226	10.4	8.3	26.0%	2.40	1.95	25.4%	1.9%
ISDN Holdings Ltd	ISDN SP	Add	0.57	0.96	183	8.3	7.3	14.0%	1.14	1.02	14.5%	3.0%
Nanofilm Technologies Int'l Ltd	NANO SP	Add	2.51	3.50	1,210	20.5	16.7	22.5%	3.38	2.93	17.6%	1.2%
UMS Holdings Ltd	UMSH SP	Add	1.09	1.63	533	10.0	9.7	15.3%	2.30	2.03	24.6%	4.6%
Venture Corporation	VMS SP	Add	16.66	23.32	3,550	13.5	12.5	9.6%	1.69	1.60	12.8%	4.5%
Vicplas International Ltd	VPS SP	Add	0.21	0.28	77	9.1	8.2	na	1.25	1.12	14.5%	2.8%
Simple average excluding Aztech						11.4	10.1	15.9%	2.03	1.77	19.3%	2.9%
Malaysia												
VS Industry Bhd	VSI MK	Add	0.96	1.41	871	13.1	10.2	na	1.61	1.47	12.7%	2.5%
SKP Resources Bhd	SKP MK	Add	1.35	2.35	501	14.0	14.0	na	2.75	2.75	18.6%	4.5%
ATA IMS Bhd	AIB MK	Reduce	0.37	0.29	106	11.0	11.0	na	0.55	0.55	5.2%	0.0%
Simple average						12.7	11.7	NA	1.64	1.59	12.2%	2.3%
Global simple average excluding Aztech						11.8	10.5	15.9%	1.93	1.72	17.3%	2.8%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS
DATA AS AT 15 MAR 2022

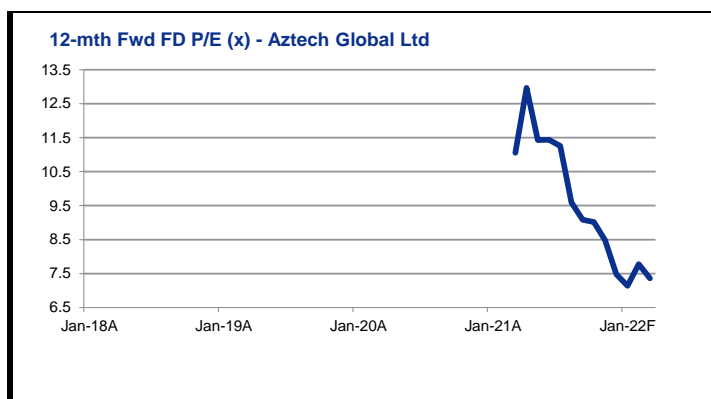
Figure 2: Aztech's 1 year rolling forward P/E (x)



BY THE NUMBERS

Profit & Loss				
(\$m)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	626.0	762.5	869.9	961.5
Gross Profit	157.1	188.9	214.9	237.2
Operating EBITDA	95.8	115.0	130.1	143.0
Depreciation And Amortisation	(10.2)	(11.2)	(12.2)	(13.2)
Operating EBIT	85.6	103.8	117.9	129.8
Financial Income/(Expense)	(0.7)	0.0	0.0	0.0
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	85.0	103.8	117.9	129.8
Exceptional Items				
Pre-tax Profit	85.0	103.8	117.9	129.8
Taxation	(10.6)	(13.5)	(15.3)	(16.9)
Exceptional Income - post-tax				
Profit After Tax	74.4	90.3	102.6	113.0
Minority Interests				
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Preference Dividends (Australia)				
Net Profit	74.4	90.3	102.6	113.0
Normalised Net Profit	74.4	90.3	102.6	113.0
Fully Diluted Normalised Profit	74.4	90.3	102.6	113.0

Cash Flow				
(\$m)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	95.85	115.02	130.13	143.03
Cash Flow from Inv. & Assoc.				
Change In Working Capital	(36.27)	(26.08)	(24.40)	(20.78)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	(1.23)			
Other Operating Cashflow				
Net Interest (Paid)/Received	(0.68)	(0.70)	(0.70)	(0.70)
Tax Paid	(15.78)	(13.50)	(15.33)	(16.88)
Cashflow From Operations	41.89	74.75	89.69	104.68
Capex	(4.79)	(15.00)	(15.00)	(15.00)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	0.69	0.70	0.70	0.70
Cash Flow From Investing	(4.10)	(14.30)	(14.30)	(14.30)
Debt Raised/(repaid)	(18.89)	(0.00)	0.00	0.00
Proceeds From Issue Of Shares	188.72	0.00	0.00	0.00
Shares Repurchased				
Dividends Paid		(45.16)	(51.29)	(56.48)
Preferred Dividends				
Other Financing Cashflow	(17.90)			
Cash Flow From Financing	151.93	(45.16)	(51.29)	(56.48)
Total Cash Generated	189.73	15.28	24.10	33.90
Free Cashflow To Equity	18.91	60.44	75.39	90.38
Free Cashflow To Firm	38.47	61.15	76.09	91.08



Balance Sheet				
(\$m)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	201.5	216.8	240.9	274.8
Total Debtors	222.5	261.1	297.9	329.3
Inventories	62.4	78.6	89.7	99.2
Total Other Current Assets	5.2	5.2	5.2	5.2
Total Current Assets	491.6	561.6	633.7	708.4
Fixed Assets	26.6	30.4	33.2	35.0
Total Investments	0.0	0.0	0.0	0.0
Intangible Assets	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	0.0	0.0	0.0	0.0
Total Non-current Assets	26.6	30.4	33.2	35.0
Short-term Debt	11.9	11.9	11.9	11.9
Current Portion of Long-Term Debt				
Total Creditors	138.5	167.1	190.7	210.7
Other Current Liabilities	70.0	70.0	70.0	70.0
Total Current Liabilities	220.4	249.0	272.5	292.6
Total Long-term Debt	2.8	2.8	2.8	2.8
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	1.7	2.0	2.0	2.0
Total Non-current Liabilities	4.6	4.9	4.9	4.9
Total Provisions	0.3	0.0	0.0	0.0
Total Liabilities	225.2	253.9	277.4	297.5
Shareholders' Equity	293.0	338.1	389.4	445.9
Minority Interests				
Total Equity	293.0	338.1	389.4	445.9

Key Ratios				
	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	28.9%	22.1%	14.1%	10.5%
Operating EBITDA Growth	25.6%	20.0%	13.1%	9.9%
Operating EBITDA Margin	15.4%	15.1%	15.0%	14.9%
Net Cash Per Share (\$\$)	0.24	0.26	0.29	0.34
BVPS (\$\$)	0.38	0.44	0.50	0.58
Gross Interest Cover	126.5	148.3	168.5	185.5
Effective Tax Rate	12.5%	13.0%	13.0%	13.0%
Net Dividend Payout Ratio	51.9%	50.0%	50.0%	50.0%
Accounts Receivables Days	122.6	115.8	117.3	119.4
Inventory Days	45.20	44.86	46.89	47.74
Accounts Payables Days	108.8	97.2	99.7	101.4
ROIC (%)	130%	96%	85%	79%
ROCE (%)	45%	32%	31%	30%
Return On Average Assets	18.3%	16.3%	16.3%	16.0%

Key Drivers				
	Dec-21A	Dec-22F	Dec-23F	Dec-24F
IoT devices and Datacom products (% yoy)	39.5%	23.8%	15.0%	11.0%
LED products (% yoy)	-51.3%	-14.6%	-14.5%	-9.5%

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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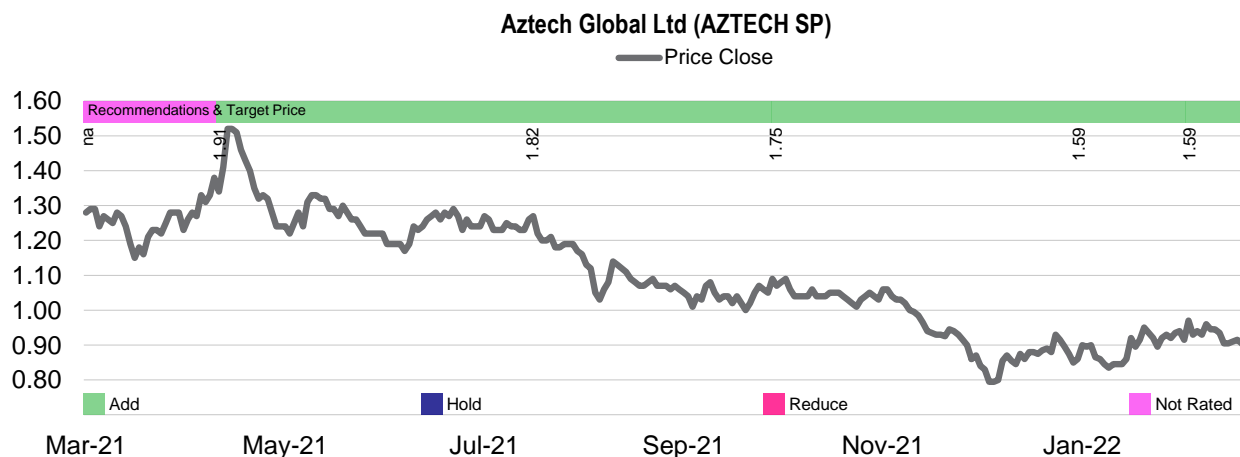
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

Spitzer Chart for stock being researched (2 year data)

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

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Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
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Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

