

**1Q FYE JUN 2014 RESULTS REPORT**

28 November 2013

<b>Name of PLC:</b> Globaltec Formation Berhad (GFB)		<b>Target Price:</b>	RM0.07
<b>Business Summary :</b> Investment holding company with businesses in integrated manufacturing services and resources			
<b>Major Shareholders :</b>			
	Datuk Dr. Goh Tian Chuan		19.6%
	Kong Kok Keong		17.3%
	LTAT		5.7%
as at 30-Sep-2013			
<b>PLC Website :</b> <a href="http://www.globaltec.com.my">www.globaltec.com.my</a>		<b>Recommendation:</b>	HOLD
<b>IR Contact :</b> Leong Lup Yan Tel: 03 5543 1413		<b>Market Capitalisation:</b>	RM 316.4m
		<b>Current Price :</b>	RM 0.06
		<b>Market / Sector:</b>	Industrial Products
		<b>Stock Code:</b>	5220
<b>Analyst :</b> Lim Boon Ngee Tel : +603 2163 3200; Email : <a href="mailto:bnlim@nra.com.my">bnlim@nra.com.my</a>			

Key Stock Statistics	Dec-10 ^	Jun-12 *	2013	2014F
EPS (sen)	0.5	n.m.	(0.4)	0.1
P/E (x)	12.2	n.m.	(15.8)	47.2
Dividend/Share (sen)	n.m.	n.m.	-	-
NTA/Share (RM)	0.05	0.05	0.05	0.05
Book Value/Share (RM)	0.08	0.08	0.07	0.07
Issued Capital (mil shares)	5,273.6	5,273.6	5,273.6	5,273.6
52-weeks Share Price Range (RM)			0.05 - 0.08	

Per Share Data	Dec-10 ^	Jun-12 *	2013	2014F
Year-end 30 Jun				
Book Value (RM)	0.08	0.08	0.07	0.07
Operating Cash Flow (sen)	0.5	n.m.	0.2	0.7
Dividend (sen)	n.m.	n.m.	-	-
Payout Ratio (%)	n.m.	n.m.	-	-
P/E (x)	12.2	n.m.	(15.8)	47.2
P/Cash Flow (x)	11.8	n.m.	25.0	9.1
P/Book Value (x)	0.7	0.8	0.8	0.8
Dividend Yield (%)	n.m.	n.m.	-	-
ROE (%)	5.9	n.m.	(5.2)	1.7
Net Gearing (%)	8.3	n.m.	8.4	1.8

P&L Analysis (RM mil)	Dec-10 ^	Jun-12 *	2013	2014F
Revenue	394.8	220.5	387.8	400.0
Operating Profit	33.9	6.0	12.3	12.6
Depreciation & amortisation (24.0)	(22.1)	(26.9)	(28.2)	
Finance, net	(3.2)	(2.3)	(4.6)	(3.2)
Associate	(0.0)	(0.1)	(1.5)	(1.0)
EI	-	10.3	(20.5)	-
Pre-tax Profit	30.7	13.9	(14.4)	8.4
Effective Tax Rate (%)	(10.9)	(14.8)	38.8	(20.0)
Net Profit	26.0	12.2	(20.0)	6.7
Operating Margin (%)	8.6	2.7	3.2	3.2
Pre-tax Margin (%)	7.8	6.3	(3.7)	2.1
Net-Margin (%)	6.6	5.5	(5.2)	1.7

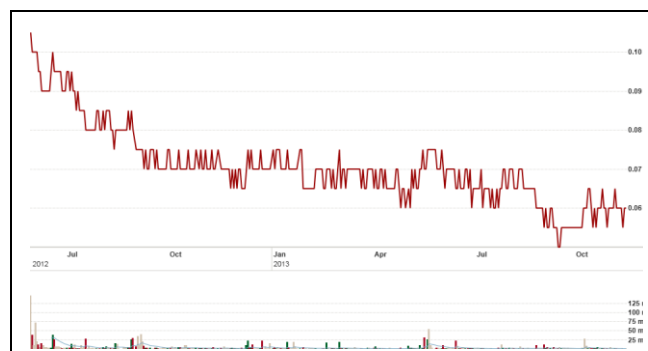
^ Proforma basis

\* Year-end changed to 30-Jun. Business combination exercise completed on 25-May-2012. Financials represent:

- 18 months (1-Jan-2011 to 30-Jun-2012) for AIC

- 1 month (25-May-2012 to 30-Jun-2012) for Jotech and AutoV

**Share Price Chart**



## 1. 1QFY14 Results Highlight

	1Q 2014	1Q 2013	Chg
	RMm	RMm	%
Revenue	94.88	102.27	(7.2)
Operating Profit	1.84	5.08	(63.7)
Finance, net	(1.09)	(1.13)	(4.3)
Associates	-	(0.25)	n.m.
Pre-tax Profit	0.76	3.70	(79.5)
Net Profit	(0.10)	2.24	n.m.
Operating Margin (%)	1.9	5.0	
Pre-tax Margin (%)	0.8	3.6	
Net-Margin (%)	(0.1)	2.2	

- In 1QFY14, while turnover declined by 7.2% to RM94.88m, PBT dropped significantly from RM3.70m (1QFY13) to RM0.76m (1QFY14). Due to higher tax, GFB sprang into a small net loss of RM0.10m from net profit of RM2.24m.
- The poor performance was mainly attributed to overall weak demand in the semiconductor and E&E industries. PBT of its integrated manufacturing services (IMS) division, which accounted for 98% of group turnover, dropped to a mere RM0.14m (1QFY14) from RM4.39m (1QFY13). We think it was due mainly to semiconductor division, which saw a steep decline in turnover contribution from RM17m (1QFY13) to RM10m (1QFY14).
- The combined precision machining, automation and stamping division experienced smaller decline of 11% to RM35m in 1QFY14.
- The poor showing of the above divisions was mitigated by 10% turnover growth of its automotive component manufacturing division to RM48m (1QFY14), underpinned by improvement in demand and new car launch by a major customer.
- Its plantation division, a much smaller unit, was still loss-making with a pretax loss of RM0.22m due to low FFB prices and production.

## 2. Earnings Outlook

- GFB was established after the acquisition of the entire businesses of AIC, Jotech and AutoV following a business combination exercise. GFB was re-listed on the Main Market of Bursa Malaysia on 31-May-2012.
- GFB consists of 2 main divisions as below:
  - Integrated manufacturing services (IMS) division
    - Precision machining and automation division (PMA)
    - Semiconductor division
    - Precision stamping and tooling division (PST)
    - Automotive component manufacturing division
  - Resources division - oil palm plantation
- The integrated manufacturing capability of the merged entity provides a platform for the introduction of high value-added products, cross-selling business opportunities and other synergistic benefits within the GFB group.
- In the near-term, the continued down-cycle of the semiconductor and E&E industries will put pressure on its overall earnings performance. This will be cushioned by the steadier PMA division and stronger growth of its automotive component manufacturing division.

- GFB does have strong product pipelines such as super-chargers, vehicle head lamps and LED industrial lighting systems all ready to come to market. However, it has not materialised due to the postponement of certain projects by its customers.

### 3. Valuation and Recommendation

- We have downgraded our earnings forecast for FY14 to factor into the continued weaker performance of semiconductor and E&E sectors.
- We are maintaining our Hold recommendation on the stock based on its book value of RM0.07/share. Its current share price of RM0.06 is at a small discount to its book value. Its balance sheet remains comfortable with a low net gearing ratio of 0.08x as at 1QFY14.

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#### **Disclosures/Disclaimer**

Investment ratings:

Buy (generally >10% upside over the next 12 months)

Hold (generally negative 10% downside to positive 10% upside over the next 12 months)

Sell (generally >10% downside over the next 12 months)

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