

4Q FYE JUN 2014 RESULTS REPORT

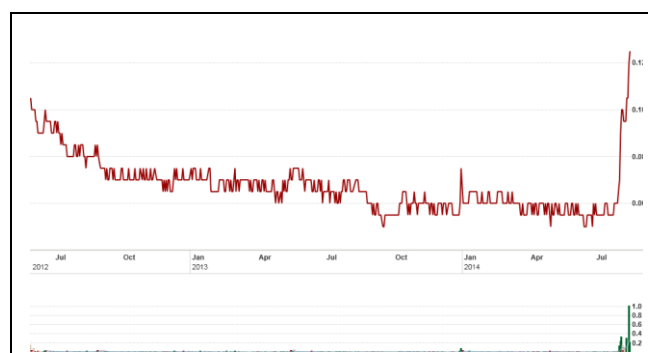
22 August 2014

Name of PLC: Globaltec Formation Berhad (GFB)	Target Price:	RM0.07
Business Summary : Investment holding company with businesses in integrated manufacturing services and resources		
Major Shareholders :		
Datuk Dr. Goh Tian Chuan		19.9%
Kong Kok Keong		17.3%
LTAT		5.7%
PLC Website : www.globaltec.com.my	Recommendation:	HOLD
IR Contact : Leong Lup Yan Tel: 03 5543 1413	Market Capitalisation:	RM 672.7m
	Current Price :	RM 0.125
	Market / Sector:	Industrial Products
	Stock Code:	5220
Analyst : Lim Boon Ngee Tel : +603 2163 3200; Email : bnlim@nra.com.my		

Key Stock Statistics	Jun-12 *	2013	2014	2015F
EPS (sen)	n.m.	(0.4)	(0.7)	0.1
P/E (x)	n.m.	(31.8)	(18.2)	217.3
Dividend/Share (sen)	n.m.	-	-	-
NTA/Share (RM)	0.05	0.05	0.05	0.05
Book Value/Share (RM)	0.08	0.07	0.06	0.07
Issued Capital (mil shares)	5,273.6	5,273.6	5,381.7	5,381.7
52-weeks Share Price Range (RM)			0.05 - 0.14	

* 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



Per Share Data	Jun-12 *	2013	2014	2015F
Year-end 30 Jun				
Book Value (RM)	0.08	0.07	0.06	0.07
Operating Cash Flow (sen)	n.m.	0.5	(0.1)	0.4
Dividend (sen)	n.m.	-	-	-
Payout Ratio (%)	n.m.	-	-	-
P/E (x)	n.m.	(31.8)	(18.2)	217.3
P/Cash Flow (x)	n.m.	24.5	(119.8)	27.9
P/Book Value (x)	1.6	1.7	1.9	1.9
Dividend Yield (%)	n.m.	-	-	-
ROE (%)	n.m.	(5.4)	(10.6)	0.9
Net Gearing (%)	n.m.	8.4	3.2	(0.9)

P&L Analysis (RM mil)	Jun-12 *	2013	Jul-05	2015F
Revenue	220.52	387.88	367.94	363.00
Operating Profit	6.02	11.73	2.77	8.00
Depreciation & amort	(22.17)	(27.57)	(26.28)	(21.97)
Finance, net	(2.33)	(4.39)	(3.75)	(4.13)
Associate	(0.08)	(1.83)	(0.15)	-
EI	10.33	(20.55)	(34.57)	-
Pre-tax Profit	13.93	(15.04)	(35.70)	3.87
Effective Tax Rate (%)	(14.80)	37.33	4.10	(20.00)
Net Profit	12.22	(20.70)	(36.95)	3.10
Operating Margin (%)	2.7	3.0	0.8	2.2
Pre-tax Margin (%)	6.3	(3.9)	(9.7)	1.1
Net-Margin (%)	5.5	(5.3)	(10.0)	0.9

1. 4QFY14 Results Highlight

	4Q 2014	4Q 2013	Chg
	RMm	RMm	%
Revenue	98.22	97.44	0.8
Operating Profit	(1.21)	3.16	(138.4)
Finance, net	(0.79)	(0.91)	(14.0)
Associates	(0.15)	(1.19)	(87.4)
EI	(34.57)	(20.55)	n.m.
Pre-tax Profit	(36.72)	(19.49)	88.4
Net Profit	(34.46)	(2.68)	1,188.3
Operating Margin (%)	(1.2)	3.2	
Pre-tax Margin (%)	(37.4)	(20.0)	
Net-Margin (%)	(35.1)	(2.7)	

- Although it might appear that GFB suffered a big loss in 4QFY14, it was distorted by another impairment and write-off. While turnover was flat at RM98.22m, it reported a big net loss of RM36.72m.
- The big loss was attributed to impairment loss on PPE and goodwill write-off amounting to RM14.48m and RM20.09m respectively. In 4QFY13, the goodwill write-off amounted to RM20.55m. Excluding these exceptional items, GFB would only recorded a small pretax loss of RM2.15m (4QFY14) as compared with PBT of RM1.06m (4QFY13).
- In terms of segmental performance, integrated manufacturing services (IMS) which comprise 1) precision machining and automation division (PMA), 2) semiconductor division, 3) Precision stamping and tooling division (PST) and 4) automotive component manufacturing division, contributed 98% of group turnover in 4QFY14.
- The IMS division reported flattish turnover of RM96.28m in 4QFY14. While PMA and PST divisions reported turnover growth, it was offset by poor performance of semiconductor and automotive component manufacturing divisions. Due to the decline in turnover, this division recorded a similar level of pretax loss of RM1.56m in 4QFY14 as compared with RM1.68m in 4QFY13.
- Its plantation division, a much smaller unit, turned in an improved PBT of RM1.43m (4QFY14) as compared with a PBT of RM0.28m (4QFY13) due to fair value gain on biological assets.

FY14 Results Highlight

	FY 2014	FY 2013	Chg
	RMm	RMm	%
Revenue	367.94	387.88	(5.1)
Operating Profit	2.77	11.73	(76.4)
Finance, net	(3.75)	(4.39)	(14.6)
Associates	(0.15)	(1.83)	(91.8)
EI	(34.57)	(20.55)	n.m.
Pre-tax Profit	(35.70)	(15.04)	137.3
Net Profit	(36.95)	(20.70)	78.5
Operating Margin (%)	0.8	3.0	
Pre-tax Margin (%)	(9.7)	(3.9)	
Net-Margin (%)	(10.0)	(5.3)	

- In FY14, although turnover only declined marginally by 5.1% to RM367.94m, it reported an increased net loss of RM36.95m due mainly to impairment and goodwill write-off as explained above.

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.
- GFB does have strong product pipelines. However, it has not materialised due to the postponement of certain projects by its customers.
- GFB has made a strategic diversification into the oil and gas sector. GFB has taken up a 60% stake in New Century Energy Resources Limited (NCE), which would then subscribed to a 19.9% stake in Australia Securities Exchange (ASX) listed NuEnergy Gas Limited (NGY) through a placement exercise. NGY is principally a gas and ancillary power generation development company with an immediate focus on establishing unconventional gas E&P in Indonesia. It has three operated production sharing contracts in Indonesia (Indonesian PSCs).

3. Valuation and Recommendation

- It's still at the early stage as the exploration activities will take some time before yielding any positive results.
- We are maintaining our HOLD recommendation on the stock based on its book value of RM0.07/share and healthy balance sheet. It possesses a comfortable financial position with a low net gearing ratio of 0.03x as at 4QFY14.

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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