

Financial Year End	31/03/2012
Reporting Period Ending	31/03/2012
Reporting Quarter	4Q-2012

Recommendation	BUY
Target Price (MYR)	0.26
Current Price (MYR)	0.21

Industry Group	Computers
Industry Sub Group	Computers-Integrated Sys

Key Company Statistics	
Bloomberg Ticker	GENE MK
Bursa Stock Code	0104
Issued Capital (mn shares)	351.7
Market Capitalisation (MYR mn)	73.9
52 week High (MYR)	0.28
52 week Low (MYR)	0.19
Average Volume (3 month) '000	43.9
1 Yr Return (%)	-12.3

Major Shareholders (%)	
Atis Corporation Bhd	27.4
Tan Moon Teik	23.2
Chin Kem Weng	15.5

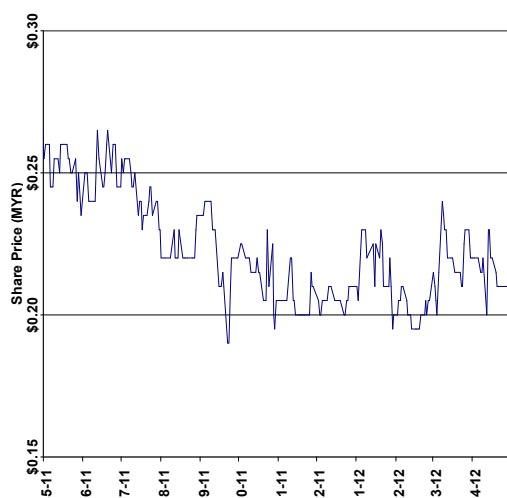
FTSE-BURSA INDEX MEMBERSHIP

FBM KLCI	FBM 70	FBM EMAS	FBM HIJRAH
No	No	No	No

REPORT INDEX

Contents	Page
Recommendation, Company Profile, Metrics	1
Quarterly Results, Competitor's Metrics	2
P&L, Balance Sheet, Per Share Data	3
7 Year Sales, Net Profit, Price, P-BV charts	4
Analyst's Disclosure, Contact Details	5

SHARE PRICE LAST 12 MONTHS (MYR)



MALAYSIA EQUITY GENETEC TECHNOLOGY BHD

RESULTS REPORT

YTD 4Q FY12 revenue increased by 26.3% vs YTD 4Q FY11, however operating profits decreased by 50.7% due to higher operating costs associated with the consolidation of Genetec's recent acquisitions. Looking ahead, however, operating margins are recovering on the back of a larger order book and higher capacity utilisation. Though we may later raise our target price higher, we are still mindful of softening conditions in Europe and China. While GTB is not directly exposed to these economies, PC demand remains soft in the US and may even decline further as business sentiment in US grows increasingly fragile.

INVESTMENT RISKS

Risks to our recommendation and target price include: i) softness in the demand for laptops and desktop computers, ii) a higher level of interest rates, iii) a renewed slowdown in the general level of economic activity in Malaysia or among its major trading partners: Singapore, China and the US.

RECOMMENDATION

We upgrade our recommendation on Genetec Technology Bhd to BUY with a fair value estimate of MYR 0.26. Whilst GTB's shares are trading at the low end of its 5-year valuation band, average ROE is likely to remain in the neighbourhood of 12-14%. Earnings multiples stand on 6.5x FY Mar 13 profits, whilst P-BV is standing on 0.9x FY Mar 13 book value.

Net margins at GTB are likely to remain in the range of 5-7% over the next few quarters as costs remain elevated and HDD demand remains sluggish. Though HDD demand remains tepid in aggregate, Western Digital Corp's ("WDC") global market share has risen from 30% to 45%, which should augur well for GTB down the road. As mentioned above, GTB is enjoying a larger order book. We do note that GTB's recent acquisitions have added considerably to debt. Unless local interest rates rise considerably, however, GTB's interest coverage will remain quite healthy.

COMPANY PROFILE

Genetec Technology Bhd ("GTB") is mainly involved in the design and sales of industrial automation equipment. Prior to their latest acquisitions, the Hard Disk Drive ("HDD") segment accounted for approximately 90% of total turnover. Recent corporate exercises have more than doubled GTB's revenue and profits and will give them additional capacity to meet new orders from WDC. The company was formed in 1997 and converted to a public limited company in 2004, prior to listing in 2005.

ANNUAL RESULTS AND METRICS (MYR mn)

FY Mar	2011	2012	2013F	2014F
Revenue	123.0	155.4	191.5	212.9
Revenue g (%)	134.3	26.3	23.2	11.2
Net Profit	12.4	4.0	11.4	12.8
Net Profit g (%)	181.5	-67.4	>100	12.2
Dividends	0.0	3.5	3.5	3.5
Owners' Equity	72.9	72.9	80.7	89.9
Total Liabilities	45.4	86.8	90.6	94.5
Debt/Equity (%)	62.2	119.1	112.2	105.1
EPS (sen)	3.5	1.2	3.2	3.6
P-S (x)	0.7	0.5	0.4	0.3
P-E (x)	6.9	18.7	6.5	5.8
P-BV (x)	1.2	1.0	0.9	0.8
ROE %	17.0	5.6	14.1	14.2

MALAYSIA EQUITY
GENETEC TECHNOLOGY BHD**PROFIT & LOSS (All figures in MYR mn unless otherwise indicated)**

FY Mar	2011	2012	2013F	2014F
Revenue	123.0	155.4	191.5	212.9
Operating Profit	19.6	9.6	21.2	23.0
Other Income	2.3	1.7	2.8	2.8
Share of Associates	0.0	0.1	0.0	0.0
Depreciation/Amortization	-1.8	-2.7	-3.2	-4.2
Finance Costs	-1.1	-2.8	-3.1	-3.3
Pre Tax Profit	18.3	7.2	18.1	19.7
Tax	-3.2	1.6	-2.7	-3.0
Minority Interest	-2.7	-4.8	-4.0	-4.0
Net Profit to Shareholders	12.4	4.0	11.4	12.8
Operating Margin (%)	15.9	6.2	11.1	10.8
PBT Margin (%)	14.9	4.6	9.4	9.3
Net Margin (%)	10.1	2.6	5.9	6.0
Effective Tax Rate (%)	17.2	-22.6	15.0	15.0

BALANCE SHEET (All figures in MYR mn unless otherwise indicated)

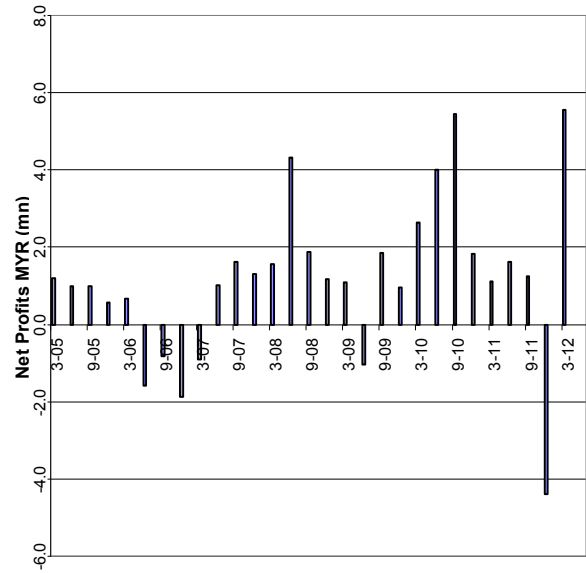
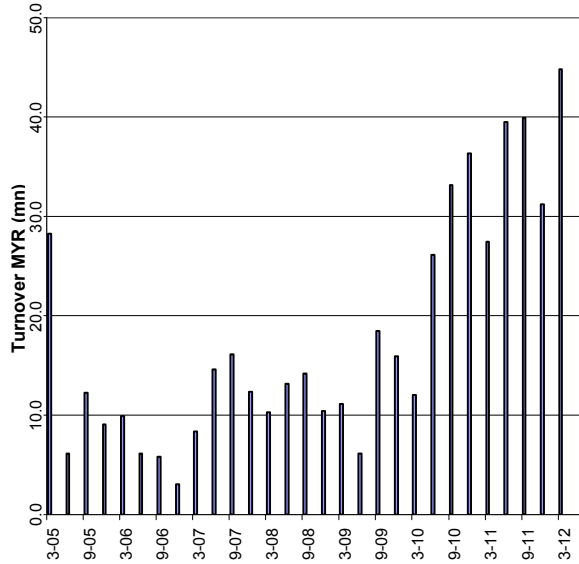
FY Mar	2011	2012	2013F	2014F
Total Assets	126.9	169.8	181.4	194.6
Fixed Assets	28.4	43.0	45.3	47.7
Current Assets	72.5	88.0	95.7	104.4
Other LT Assets	26.0	38.8	40.4	42.6
Current Liabilities	36.1	66.2	68.9	71.7
LT Liabilities	9.3	20.6	21.7	22.8
Total Liabilities	45.4	86.8	90.6	94.5
Share Capital	35.2	35.2	35.2	35.2
Minority Interest	8.6	10.1	10.1	10.1
Owners' Equity	72.9	72.9	80.7	89.9
Total Equity	81.5	83.0	90.8	100.1
Total Liabilities & Equity	126.9	169.8	181.4	194.6

PER SHARE DATA (All figures in sen unless otherwise indicated)

FY Mar	2011	2012	2013F	2014F
Revenue	35.0	44.2	54.4	60.5
Cash Flow	3.0	0.4	2.3	2.4
Earnings	3.5	1.2	3.2	3.6
Dividends	0.0	1.0	1.0	1.0
Book Value	20.7	20.7	22.9	25.6
Payout (%)	0.0	86.9	31.0	27.6
P-S (x)	0.7	0.5	0.4	0.3
P-CF (x)	8.1	56.1	na	8.6
P-E (x)	6.9	18.7	6.5	5.8
P-BV (x)	1.2	1.0	0.9	0.8
Dividend Yield (%)	0.0	4.7	4.8	4.8
ROE (%)	17.0	5.6	14.1	14.2
Total Debt/Equity (%)	62.2	119.1	112.2	105.1

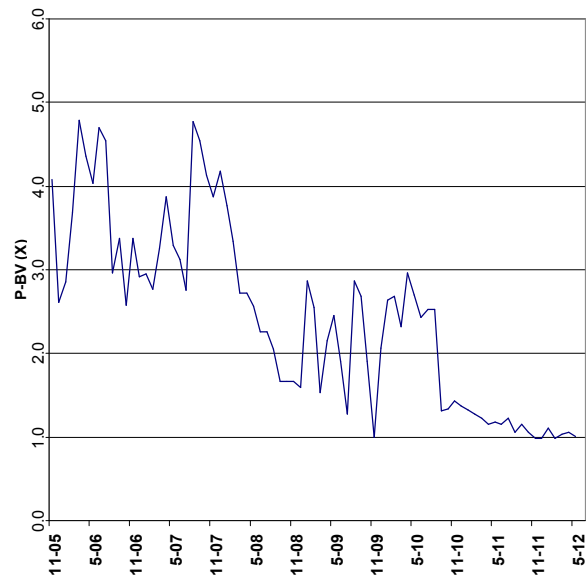
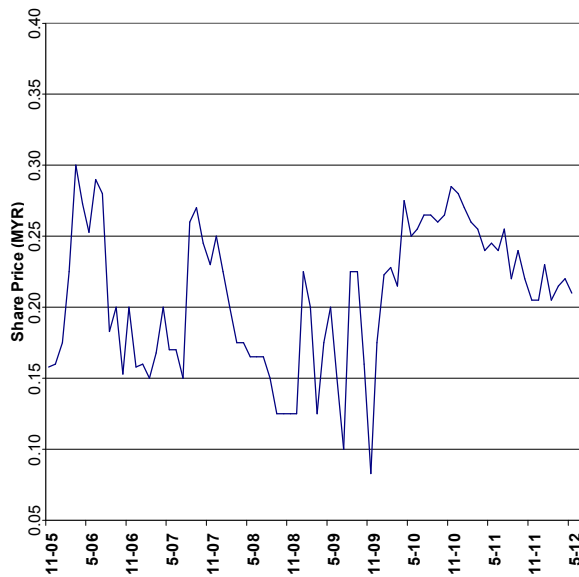
REVENUE - QUARTERLY LAST 7 YEARS (MYR mn)

NET PROFIT - Q'TERLY LAST 7 YRS (MYR mn)



SHARE PRICE - MONTHLY LAST 7 YEARS (MYR)

P-BV (X) - MONTHLY LAST 7 YEARS



ANALYST'S DISCLOSURE

BUY: Share price may exceed 10% over the next 12 months

TRADING BUY: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

HOLD: Share price may fall within the range of +/- 10% over the next 12 months

TAKE PROFIT: Target price has been attained. Look to accumulate at lower levels

SELL: Share price may fall by more than 10% over the next 12 months

NOT RATED (NR): Stock is not within regular research coverage

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J Charles Wilson
Head of Research

ANALYST'S RECOMMENDATION RECORD

Ticker	Date	Recommendation	FairValue	Price At Date of Recommendation	% Price Change Since Prior Recommendation
GENE MK Equity	22-Feb-11	BUY	0.38	0.26	
GENE MK Equity	27-Apr-11	BUY	0.38	0.25	-5.8%
GENE MK Equity	24-May-11	BUY	0.34	0.25	2.0%
GENE MK Equity	18-Aug-11	BUY	0.34	0.25	-2.0%
GENE MK Equity	22-Nov-11	BUY	0.29	0.20	-18.4%
GENE MK Equity	22-Feb-12	HOLD	0.23	0.21	5.0%
GENE MK Equity	24-May-12	BUY	0.26	0.21	0.0%

QUESTIONS?**CONTACT THE INVESTMENT ADVISER:**

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