

## UCHI TECHNOLOGIES

### RESULTS UPDATE

## NEUTRAL

Closing Price	RM 3.86
Target Price	RM 3.82
Consensus Price	RM 3.92

#### Stock Return Information

KLCI	1,603.15
Expected share price return (%)	-1.0
Expected dividend return (%)	6.2
Expected total return (%)	5.2

#### Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	UCHI MK
Msia Ticker / Stock Code	UCHITEC/7100
Shares Outstanding (m)	459.7
Market Capitalisation (RM m)	1,774.3
52 Week Hi/Lo Price (RM)	4.220/3.540
Avg Trading Volume (3-mth)	493,134
Est Free Float (%)	58.0
YTD Returns (%)	4.0
Beta (x)	0.62

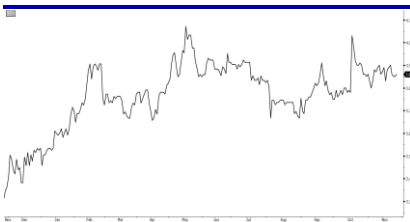
#### Share Price Performance (%)

Price change	Absolute	Relative
1 mth	0.00	0.94
3 mth	2.66	5.63
12 mth	8.43	-2.28

#### Major Shareholders (%)

Eastbow International Ltd	18.1
Ironbridge Worldwide Ltd	7.7
Public Mutual Bhd	6.0

#### 1-Year Share Price Performance



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## Softer Earnings Performance Amid Forex Losses

UCHITEC's 9MCY24 revenue and core PAT (excluding unrealised forex movements) remains within our expectations, accounting to 77.2% and 80.1% of our CY24 forecasts respectively. The softer performance was attributable to the sluggish recovery in Europe's sales trend, while bottom-line margin also suffered slightly due to higher net foreign exchange losses recorded this quarter. The management continued to guide a softer Y-o-Y revenue trend in 2HCY24 with its USD revenue expected to be in high single digit decline in view of the recent orders received. Therefore, we anticipate the softer performance to persist, while we also see the Ringgit's appreciation against the USD recently to put pressure on its top line in 2HCY24.

We keep our recommendation at **NEUTRAL**, but with a lower **TP of RM3.82 (-RM0.18)** based on our DDM-derived valuation after imputing a higher required rate of return of 7.4% (from 7.0%) to reflect a higher beta and equity risk premium, while keeping our dividend growth rate unchanged at 1.5%. Potential upsides to UCHITEC include: 1) higher dividend payout, 2) solid balance sheet with a net cash position, and 3) impressive profitability. Key downside risks are: 1) customer concentration, 2) supply chain disruption, 3) depreciation of the USD against the Ringgit, and 4) non-renewal of its pioneer status.

**Y-o-Y.** 3QCY24 revenue declined by 11.8% to RM55.5m, from RM62.9m, due to a significant depreciation of the USD against the Ringgit, while sales also came in lower during the quarter. The unfavourable forex movement resulted in its PAT shrinking by 15.3% to RM28.3m, from RM33.4m. Core PAT (excluding unrealised forex losses), meanwhile, declined by 20.8% to RM25.8m, from RM32.6m.

**Q-o-Q.** 3QCY24 revenue declined by 6.1% to RM55.5m, from RM59.1m, attributed to lower sales of its products and services and unfavourable forex movements dampening its top line. PAT dipped to RM28.3m, from RM32.2m, marking a 12.0% decline. Core PAT similarly declined by 16.6% to RM25.8m, from RM31.0m.

**Dividend.** The group declared a second interim dividend of 8.0 sen per share, bringing the total dividend per share declared to 14.5 sen for CY24.

**Forecast.** CY24/25 revenue and earnings forecast remained unchanged.

**Table 1: Historical and Forecast Financial Performance**

CYE Dec (RM m)	CY21	CY22	CY23	CY24(F)	CY25(F)
Revenue	168.5	214.3	242.5	228.9	230.3
EBITDA	97.9	133.2	172.8	137.1	135.7
EBITDA margin (%)	58.1	62.1	71.3	59.9	58.9
PBT	92.2	127.9	168.8	132.2	130.8
PBT margin (%)	54.7	59.7	69.6	57.8	56.8
PAT	91.4	124.9	135.2	112.6	114.7
PAT margin (%)	54.3	58.3	55.8	49.2	49.8
EPS (sen)	19.9	27.2	29.4	24.5	25.0
Earnings growth (%)	9.1	36.6	8.3	(9.8)	1.9
PER (x)	19.4	14.2	13.1	15.8	15.5
DPS (sen)	20.0	30.0	29.5	24.0	24.5
Dividend yield (%)	5.2	7.8	7.6	6.2	6.3
ROE (%)	49.3	60.9	64.3	54.0	55.7
Net gearing ratio	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
P/B (x)	9.3	8.1	8.8	8.7	8.6

Source: Company, Inter-Pacific Research

**Outlook.** There is no change in management’s revenue guidance, as they continued to see high-single digit Y-o-Y decline in its CY24 USD revenue. The softer performance may persist on higher currency risks following the recent strength of the Ringgit against the greenback, coupled by the softer-than-expected order trend to impact its topline and put pressure on its operating margin in the coming quarters. Nonetheless, longer term outlook remains intact with the management guiding its dividend payout outlook to stay in line with the current formal policy (>70%), while its dividend yield of 6.2% should continue to provide some support to its share price, in our view.

**Table 2: Quarterly Results Comparison**

CYE Dec (RM m)	3QCY24	3QCY23	YoY	2QCY24	QoQ	9MCY24	9MCY23	YoY
			%		%			%
Revenue	55.5	62.9	(11.8)	59.1	(6.1)	176.7	178.1	(0.8)
OP	35.6	40.5	(12.1)	38.0	(6.3)	111.7	108.7	2.8
PBT	34.4	42.3	(18.6)	39.6	(13.0)	114.0	125.5	(9.1)
PAT	28.3	33.4	(15.3)	32.2	(12.0)	92.5	99.6	(7.1)
Core PAT	25.8	32.6	(20.8)	31.0	(16.6)	90.3	92.1	(2.0)
			<i>ppt</i>		<i>ppt</i>			<i>ppt</i>
OP margin (%)	64.2	64.4	(0.2)	64.3	(0.1)	63.2	61.0	2.2
PBT margin (%)	62.0	67.2	(5.2)	67.0	(4.9)	64.5	70.4	(5.9)
PAT margin (%)	51.0	53.1	(2.1)	54.5	(3.4)	52.3	55.9	(3.6)

Source: Company, Inter-Pacific Research

**Table 3: Segmental Revenue Breakdown**

CYE Dec (RM m)	3QCY24	3QCY23	YoY	2QCY24	QoQ	9MCY24	9MCY23	YoY
			%		%			%
Art-of-Living	52.7	56.9	(7.4)	55.3	(4.7)	165.3	160.7	2.9
Biotechnology	2.8	6.0	(53.6)	3.8	(26.2)	11.4	17.4	(34.4)
Others	0.0	0.0	(25.0)	0.0	50.0	0.0	0.0	(52.9)

Source: Company, Inter-Pacific Research

**Table 4: Geographical Revenue Breakdown**

CYE Dec (RM m)	3QCY24	3QCY23	YoY	2QCY24	QoQ	9MCY24	9MCY23	YoY
			%		%			%
Europe	55.0	61.8	(10.9)	58.0	(5.2)	174.0	173.5	0.3
Asia Pacific	0.4	0.9	(49.5)	0.7	(39.0)	2.2	3.3	(32.5)
U.S.	-	0.3	(100.0)	0.3	(100.0)	0.5	1.3	(61.8)

Source: Company, Inter-Pacific Research

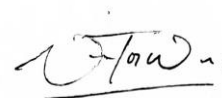
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Signed



Victor Wan Kum Seng  
Head of Research  
Inter-Pacific Research Sdn Bhd

## Rating Systems

Ratings:	Description:
BUY	Total return is expected to exceed 15% in the next 12 months
TRADING BUY	Total return is expected to exceed 10% in the next 3 months
NEUTRAL	Total return is expected to be between -15% to 15% in the next 12 months
SELL	Total return is expected to be below -15% in the next 12 months
TRADING SELL	Total return is expected to be below -10% in the next 3 months
NOT RATED	The stock is not within regular research coverage

## Abbreviation

Abbreviation	Definition	Abbreviation	Definition
PER	Price Earnings Ratio	CAGR	Compounded Annual Growth Rate
PEG	PER to Growth	CAPEX	Capital Expenditure
EPS	Earnings per Share	DPS	Dividend per Share
FYE	Financial Year End	ROA	Return on Asset
FY	Financial Year	ROE	Return on Equity
CY	Calendar Year	PBT	Profit Before Tax
MoM	Month-on-Month	PAT	Profit After Tax
QoQ	Quarter-on-Quarter	EV	Enterprise Value
YoY	Year-on-Year	EBIT	Earnings Before Interest And Tax
YTD	Year-to-Date	EBITDA	EBIT Depreciation & Amortisation
p.a.	Per Annum	WACC	Weighted Average Cost of Capital
DCF	Discounted Cash Flow	NTA	Net Tangible Asset
FCF	Free Cash Flow	BV	Book Value
NAV	Net Asset Value		

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