



Outthink. Outperform.

## Cease coverage

We ceased coverage on Aemulus due to reallocation of resources. Our last recommendation was a SELL with a TP of RM0.15. Aemulus fared better in 2Q bolstered by stronger-than-expected revenue growth, largely due to higher orders fulfilled from the ATE segment. Core earnings of RM2.5m came in slightly ahead of our FY17 estimates of RM4m.

### Higher revenue from Malaysia

Aemulus' 2Q revenue grew 38% to RM10.8m, predominantly bolstered by higher sales order fulfilled for its ATE segment during the quarter. Management guided that the increase in revenue was largely attributed to the growth in the enterprise storage, smartphone and tablet market segments. In terms of country breakdown, Malaysia, Singapore and USA market grew strongly but this was weighed down by lower orders from China.

### Earnings rebound

Aemulus booked in a core net profit of RM2.5m, in line with the higher revenue registered. GP margin stayed largely unchanged, likely due to similar product mix. The higher GP was however offset by higher R&D expenses, as well as administrative expenses, likely due to higher headcount. Overall, 1H17 core earnings of RM2.5m came slightly in ahead of our full-year estimates of RM4m.

### Ceasing coverage

Aemulus earnings may have turned the corner, but valuations look to have run ahead of fundamentals at calendarised 53x CY17E EPS. Aemulus' earnings have been volatile over the past few quarters with inconsistent sales growth, which leads to earnings forecast risk. We ceased coverage on Aemulus due to reallocation of resources. Our last recommendation was SELL with a TP of RM0.15.

### Earnings & Valuation Summary

FYE 30 September	2015A	2016A	2017E	2018E	2019E
Revenue (RMm)	32.6	22.0	28.4	31.2	33.5
EBITDA (RMm)	8.9	(0.0)	5.0	6.5	7.1
Pretax profit (RMm)	9.1	(2.7)	4.2	5.5	5.9
Net profit (RMm)	9.1	(2.7)	4.0	5.3	5.8
EPS (sen)	2.1	(0.6)	0.9	1.2	1.3
PER (x)	25.4	nm	57.1	43.1	40.0
Core net profit (RMm)	8.4	(1.0)	4.0	5.3	5.8
Core EPS (sen)	1.9	(0.2)	0.9	1.2	1.3
Core EPS growth (%)	4.6	nm	nm	32.5	7.8
Net DPS (sen)	-	-	-	-	-
Dividend Yield (%)	-	-	-	-	-
EV/EBITDA (x)	22.1	nm	41.5	31.6	28.8
Chg in EPS (%)	-	-	-	-	-
Affin/Consensus (x)	-	-	1.1	1.0	0.7

Source: Company, Bloomberg, Affin Hwang forecasts

## Results Note

# Aemulus Holdings Berhad

AMLS MK

Sector: Technology

RM0.525 @ 18 May 2017

## Cease coverage

Downside: N/A

## Price Target: N/A

Previous Target: RM0.15



## Price Performance

	1M	3M	12M
Absolute	+25.0%	+52.2%	+81.0%
Rel to KLCI	+23.1%	+47.1%	+67.6%

## Stock Data

Issued shares (m)	438.9
Mkt cap (RMm)/(US\$m)	230.4/53.2
Avg daily vol - 6mth (m)	2.9
52-wk range (RM)	0.16-0.54
Est free float	23.1%
BV per share (RM)	0.15
P/BV (x)	3.52
Net cash/ (debt) (RMm)	26.8
ROE (2017E)	5.8%
Derivatives	No
Shariah Compliant	No

## Key Shareholders

Nq Sang Beng	17.9%
Bombalai Hill Ventures SB	15.0%
Yeoh Chee Keong	11.7%

Source: Affin Hwang, Bloomberg

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Fig 1: Results Comparison

FYE 30 Sep (RMm)	2QFY17	QoQ % chg	YoY % chg	1HFY17	QoQ % chg	2Q comment
Revenue	10.8	92.3	38.2	16.4	55.9	Higher sales revenue due to higher orders from the ATE segment. Country breakdown wise, Malaysia, Singapore and USA registered higher sales but weighed down by lower sales from China.
Op costs	(8.0)	45.5	23.7	(13.6)	27.6	
EBITDA	2.7	>100	>100	2.8	nm	
<i>EBITDA margin (%)</i>	<i>25.3</i>	<i>+24.0ppts</i>	<i>+8.7ppts</i>	<i>17.1</i>	<i>+18.4ppts</i>	EBITDA margin improved in line with higher sales.
Depn and amort	(0.2)	2.3	12.9	(0.4)	18.2	Higher depreciation expenses due to higher production floor space occupied.
EBIT	2.5	nm	>100	2.4	nm	
<i>EBIT Margin (%)</i>	<i>23.2</i>	<i>+25.9ppts</i>	<i>+9.2ppts</i>	<i>14.4</i>	<i>+19.3ppts</i>	
Int expense	(0.0)	>100	50.0	(0.0)	63.6	
Int and other inc	-	nm	nm	-	nm	
EI	(0.1)	nm	(81.3)	0.7	nm	
<b>Pretax profit</b>	<b>2.4</b>	<b>&gt;100</b>	<b>&gt;100</b>	<b>3.0</b>	<b>nm</b>	
Tax	(0.0)	40.0	(74.1)	(0.0)	(85.5)	
<i>Tax rate (%)</i>	<i>0.3</i>	<i>(0.5)</i>	<i>(5.0)</i>	<i>0.4</i>	<i>6.7</i>	
<b>Net profit</b>	<b>2.4</b>	<b>&gt;100</b>	<b>&gt;100</b>	<b>3.0</b>	<b>nm</b>	
Diluted EPS (sen)	0.5	>100	>100	0.7	nm	
<b>Core net profit</b>	<b>2.5</b>	<b>nm</b>	<b>&gt;100</b>	<b>2.3</b>	<b>nm</b>	Core net profit came in slightly ahead of expectations.

Source: Company, Affin Hwang

**Equity Rating Structure and Definitions**


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<b>BUY</b>	Total return is expected to exceed +10% over a 12-month period
<b>HOLD</b>	Total return is expected to be between -5% and +10% over a 12-month period
<b>SELL</b>	Total return is expected to be below -5% over a 12-month period
<b>NOT RATED</b>	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

*The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.*

<b>OVERWEIGHT</b>	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
<b>NEUTRAL</b>	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
<b>UNDERWEIGHT</b>	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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