

Headline	Larger-scale automation jobs expected to spur Genetec Technology		
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PETALING JAYA: CGS-CIMB Research remains positive on Genetec Technology Bhd on the back of strong order book outlook for electric vehicle (EV) and automotive segments.

The research house believes the recent stock selloff is overdone, and strong order wins from its EV and automotive customers and demand surge for its battery energy storage system (BESS) solutions are potential re-rating catalysts.

"We gathered from management that Genetec aims for a strong order book replenishment of RM475mil from its sole EV customer, as well as an additional RM140mil from its sole automotive customer over the next 12 to 15 months," it added.

This would boost Genetec's order book of RM294mil as at end of 2023.

The research house said project values for its EV customer are increasing in size as Genetec is moving up to larger-scale automation jobs catering to larger-sized vehicles, in addition to new job scopes for this customer's new Nevada plant.

Genetec is also eyeing jobs for its automotive segment, relating to the electronic control unit and regenerative braking production lines.

"Given its track record with these two customers, we are optimistic Genetec will secure these jobs," CGS-CIMB Research said.

Apart from the two segments, the

research house believes that Genetec should be among the strong frontrunners for the upcoming renewable energy projects with Sabah Energy Sdn Bhd and Tenaga Nasional Bhd, given its status as a local supplier.

"We also learnt from management that the total BESS tender size in Malaysia over the next 12 to 24 months could be around 2,300 megawatt hour (MWh) capacity, as renewable energy and grid enhancement investments in Malaysia gain bigger traction.

"That said, while the average selling price for BESS have also fallen off to sub-RM1mil per MWh, we are less concerned as Genetec adopts a cost-plus

mechanism, and the lower pricing could also spur wider adoption of energy storage solutions, providing greater upside to Genetec's capacity sale," the research house added.

CGS-CIMB Research, which kept its "add" call with an unchanged Gordon growth model target price of RM3.60, raised its financial 2024 (FY24) earnings per share by 16.5%, incorporating the change in the financial year end from March 2024 to June 2024.

The research house maintained its EV revenue growth assumption at 10% per year for FY24 to FY26, given the sustained positive order book outlook despite recent concerns on the EV sales slowdown.