22 March 2023

KESM Industries

New Test Platforms Ready to Roll

By Samuel Tan I samueltan@kenanga.com.my

KESM's new test platforms for its automotive customers are currently undergoing qualification. Upon commissioning, they will handle new chips for EVs, raising its overall utilisation rate from 50% currently to 70% by CY24. On a more subdued note, KESM is still facing weakening demand in its non-automotive segment, higher electricity cost and rising depreciation. We now project a loss in FY23F (from a profit previously), cut our FY24F net profit forecast by 22%, trim our TP RM8.24 (from RM8.26) but maintain our MARKET PERFORM call.

Key takeaways from our meeting with KESM are as follows:

- 1. With the major capex of RM145m completed for new burn-in and test equipment, the new test platforms for its automotive customers are gradually being certified. KESM expects its utilisation rate for the automotive business (c.70% of group revenue) to begin trending upwards to 70% in CY24 from the current level of 50-55% in 2QFY23. The new test platforms will handle updated chips related to advanced driver-assistance system (ADAS) and tyre pressure monitoring system (TPMS) for electric vehicles.
- However, it is still facing challenges in terms of higher electricity cost (+5% QoQ) on increased tariff from 2023 and weakening loading volume for its non-automotive (c. 30% of group revenue) burn-in and test business. Meanwhile, its depreciation is expected to trend up from c.RM9m/quarter to RM10-11m/quarter as the new equipment has been fitted into its facility.
- 3. KESM indicated that its EMS business has been scaled down to a level that it has no material bearing on its overall operation. The group will maintain its current workforce of 1,900 workers who will be able to cover the operations of its new test platform. However, there will still be lingering unabsorbed overhead of c.RM2-3m due to the ongoing reskilling of workers from the EMS segment to the burn-in and test business.

Forecasts. We now project a RM4.3m net loss in FY23F (from a RM1.2m net profit) and cut our FY24F net profit forecast by 22%.

We also trim our TP to RM8.24 (previously RM8.26) based on an unchanged FY24F PBV of 1x. There is no adjustment to our TP based on ESG given its 3-star rating as appraised by us (see Page 4).

Investment thesis. We like KESM for: (i) being a proxy to the promising prospects of automotive semiconductors, (ii) being one of the largest independent burn-in and test service providers in Malaysia to potentially benefit from MNCs' expansions in the country, and (iii) its physical presence in China to ride on the government's ambitious plans for the semiconductor industry. However, we remain cautious in the immediate term as the group still faces potential risk of sub-optimal loading volume during the transition period. Maintain **MARKET PERFORM.**

Risks to our call include: (i) delays in the ramp-up in volume for burnin and test services, (ii) slow adoption of new semiconductor modules in automobiles, and (iii) additional restructuring cost in its EMS division.

MARKET PERFORM

Price: RM7

Target Price : RM8.24

Share Price Performance 10.00 9.00 7.00 6.00 1.000 1

KLCI	1,406.6
YTD KLCI chg	-5.9%
YTD stock price chg	4.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KESM MK Equity
Market Cap (RM m)	316.2
Shares Outstanding	43.0
52-week range (H)	9.52
52-week range (L)	6.10
3-mth avg daily vol:	17,405.2
Free Float	27.0%
Beta	0.8

Major Shareholders

Sunright Ltd	48.4%
Tan Kong Hong Alex	4.8%
Abrdn Plc	3.7%

Summary Earnings Table

FY July (RM m)	2022A	2023F	2024F
Revenue	246.7	208.8	252.5
EBIT	1.1	(7.2)	0.7
PBT	4.2	(4.8)	3.2
Net profit	0.2	(4.3)	2.9
Core Net Profit	0.2	(4.3)	2.9
Consensus (NP)	-	-2.6	2.4
Earnings Revision	-	-459%	-22%
Core EPS (sen)	0.5	-10.0	6.7
Core EPS growth (%)	-94.5	-2051.7	166.6
DPS (sen)	7.5	7.5	7.5
BV/Share (RM)	8.4	8.2	8.2
Core PER (x)	1436	-73.6	110.5
PBV (x)	0.9	0.9	0.9
Net. Gearing (x)	-0.4	-0.4	-0.5
Div. Yield (%)	1.0	1.0	1.0

22 March 2023

Revenue	Income Statement					Financial Data & Ratios						
EBITDA 64.6 65.6 52.6 48.6 59.2 Revnue -21.6 3.0 -0.6 -15.4 20 EBIT 1.9 7.9 1.1 (7.2) 0.7 EBITDA -21.7 1.6 -19.9 -7.5 21 Finance costs 3.8 3.1 3.1 2.4 2.5 EBIT -75.3 317.4 -85.7 -734.5 110 PBT 5.7 11.0 4.2 (4.8) 3.2 PBT -80.3 40.73 -94.5 -2052 166 Minority Interest 0.0 0.0 0.0 0.0 0.0 0.0 0.0 Core Net Profit -98.5 40.73 -94.5 -2052 166 Minority Interest 0.1 4.0 0.2 (4.3) 2.9 Core Net Profit 0.1 4.0 0.2 (4.3) 2.9 Profitability (%) Balance Sheet FV Jul (RM m) 2020A 2021A 2022A 2023F 2024F Fixed Assets 131.6 126.4 175.3 184.7 156.3 Net Profit Margin 2.6 8 26.4 21.3 23.3 23 EBITDA Margin 2.6 8 26.4 21.3 23.3 23 EBITDA Margin 2.6 8 Effect. Tax Rate 2.4 1.4 1.7 -2.3 1 Intangible Assets 0.0 0.0 0.0 0.0 0.0 0.0 0.0 Core Net Margin 0.0 1.6 0.1 -2.1 1 Intangible Assets 34.4 46.8 48.3 40.1 49.5 Core Net Margin 0.0 1.6 0.1 -2.1 1 Intangible Assets 34.4 46.8 48.3 40.1 49.5 Core Net Margin 0.0 1.6 0.1 -2.1 1 Intangible Assets 34.4 46.8 48.3 40.1 49.5 Core Net Margin 0.0 1.6 0.1 -2.1 1 Intangible Assets 34.4 46.8 48.3 40.1 49.5 Core Net Margin 0.0 1.6 0.1 -2.1 1 Intangible Assets 34.4 46.8 48.3 40.1 49.5 Core Net Margin 0.0 1.6 0.1 -2.1 1 Intangible Assets 34.4 46.8 48.3 40.1 49.5 Core Net Margin 0.0 1.6 0.1 -2.1 1 Intangible Assets 34.4 46.8 48.3 40.1 49.5 Core Net Margin 0.0 1.6 0.1 -2.1 1 Intangible Assets 34.4 46.8 48.3 40.1 49.5 Core Net Margin 0.0 1.6 0.1 -2.1 1 Intangible Assets 34.4 46.8 48.3 40.1 49.5 Core Net Margin 0.0 1.6 0.1 -2.1 1 Intangible Assets 34.4 46.8 48.3 40.1 49.5 Core Net Margin 0.0 1.6 0.1 -2.1 1 Intangible Assets 34.4 46.8 48.3 40.1 49.5 Core Net Margin 0.0 1.6 0.1 -2.1 1 Intangible Assets 34.4 46.8 48.3 40.1 49.5 Core Net Margin 0.0 0.0 1.6 0.1 -2.1 1 Intangible Assets 34.4 40.8 48.3 40.1 49.5 Core Net Margin 0.0 0.0 1.6 0.1 -2.1 1 Intangible Assets 34.4 40.8 48.3 40.1 49.5 Core Net Margin 0.0 0.0 1.6 0.1 -2.1 1 Intangible Assets 34.4 40.8 48.3 40.1 49.5 Core Net Margin 0.0 0.0 1.6 0.1 1.0 1.0 0.0 0.1 1.0 0.0 0.1 1.0 0.0 0	FY Jul (RM m)	2020A	2021A	2022A	2023F	2024F	FY Jul (RM m)	2020A	2021A	2022A	2023F	2024F
EBIT 1.9 7.9 1.1 (7.2) 0.7 EBITDA -21.7 1.6 -19.9 -7.5 21 Finance costs 3.8 3.1 3.1 2.4 2.5 EBIT -75.3 317.4 -85.7 -73.4 510.0 PBT 5.7 11.0 4.2 (4.8) 3.2 PBT -40.3 40.1 94.5 -2052 166 Minority Interest 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 Core Net Profit -98.5 4073 -94.5 -2052 166 Minority Interest 0.1 4.0 0.2 (4.3) 2.9 Porfitability (%) EBITDA Margin -26.8 26.4 21.3 23.3 23 EBIAnce Sheet FY Jul (RM m) 2020A 2021A 2022A 2023F 2024F PET ALBERT Margin -2.4 4.4 1.7 -2.3 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Revenue	241.0	248.3	246.7	208.8	252.5	Growth (%)					
Finance costs 3.8 3.1 3.1 2.4 2.5 EBIT -75.3 317.4 -85.7 -734.5 110 PBT 5.7 11.0 4.2 (4.8) 3.2 PBT -60.3 40.3 94.1 -61.6 -273.8 166 Taxastion (5.6) (3.7) (2.6) 0.5 (0.3) Net Profit -98.5 4073 -94.5 -2052 166 Minority Interest 0.0 0.0 0.0 0.0 0.0 Core Net Profit -98.5 4073 -94.5 -2052 166 Minority Interest 0.1 4.0 0.2 (4.3) 2.9 Profitability (%) EBITDA Margin -8.8 26.4 21.3 23.3 23.3 EBIT Are an expected in the profit of the profit	EBITDA	64.6	65.6	52.6	48.6	59.2	Revenue	-21.6	3.0	-0.6	-15.4	20.
PBT	EBIT	1.9	7.9	1.1	(7.2)	0.7	EBITDA	-21.7	1.6	-19.9	-7.5	21.
Taxation (5.6) (3.7) (2.6) 0.5 (0.3) Net Profit -98.5 4073 -94.5 -2052 166 Minority Interest 0.0 0.0 0.0 0.0 0.0 0.0 Core Net Profit -98.5 4073 -94.5 -2052 166 Minority Interest 0.1 4.0 0.2 (4.3) 2.9 Core Net Profit 0.1 4.0 0.1 4.0 0.2 (4.3) 2.9 Core Net Profit 0.1 4.0 0.1 4.0 0.2 (4.3) 2.9 Core Net Margin 0.8 3.2 0.5 3.4 0.0 Core Net Margin 0.8 3.2 0.5 3.4 0.0 Core Net Margin 0.0 1.6 0.1 -2.1 1 0.0 Core Net Margin 0.0 1.6 0.1 -2.1 1 0.0 Core Net Margin 0.0 1.6 0.1 -2.1 1 0.0 Core Net Margin 0.0 1.6 0.1 -2.1 1 0.0 Core Net Margin 0.0 1.6 0.1 -2.1 1 0.0 Core Net Margin 0.0 1.6 0.1 -2.1 1 0.0 Core Net Margin 0.0 1.6 0.1 -2.1 1 0.0 Core Net Margin 0.0 1.6 0.1 -2.1 1 0.0 Core Net Margin 0.0 1.6 0.1 -2.1 1 0.0 Core Net Margin 0.0 1.6 0.1 -2.1 1 0.0 Core Net Margin 0.0 1.6 0.1 -2.1 1 0.0 Core Net Margin 0.0 1.6 0.1 -2.1 1 0.0 Core Net Margin 0.0 0.1 0.0 0.0 1.0 0.1 -1.0 0.0 Core Net Margin 0.0 0.1 0.0 0.1 0.0 0.0 Core Net Margin 0.0 0.1 0.0 0.1 0.0 0.0 Core Net Margin 0.0 0.1 0.0 0.1 0.0 0.0 0.0 Core Net Margin 0.0 0.0 0.0 0.0 0.0 Core Net Margin 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.	Finance costs	3.8	3.1	3.1	2.4	2.5	EBIT	-75.3	317.4	-85.7	-734.5	110.
Minority Interest 0.0 0.0 0.0 0.0 0.0 0.0 Core Net Profit -98.5 4073 -94.5 -2052 1668 Net Profit 0.1 4.0 0.2 (4.3) 2.9	PBT	5.7	11.0	4.2	(4.8)	3.2	PBT	-40.3	94.1	-61.6	-213.8	166.
Net Profit 1.0	Taxation	(5.6)	(3.7)	(2.6)	0.5	(0.3)	Net Profit	-98.5	4073	-94.5	-2052	166.
Profitability (%) BBITDA Margin 26.8 26.4 21.3 23.3 23 23 23 23 23 23	Minority Interest	0.0	0.0	0.0	0.0	0.0	Core Net Profit	-98.5	4073	-94.5	-2052	166.
Balance Sheet	Net Profit	0.1	4.0	0.2	(4.3)	2.9						
Balance Sheet	Core Net Profit	0.1	4.0	0.2	(4.3)	2.9	Profitability (%)					
FY Jul (RM m) 2020A 2021A 2022A 2023F 2024F PBT Margin 2.4 4.4 1.7 -2.3 1 Fixed Assets 131.6 126.4 175.3 184.7 156.3 Net Profit Margin 0.0 1.6 0.1 -2.1 1 Other FA 4.2 4.1 4.8 4.8 4.8 Effect. Tax Rate 24.7 10.0 10.7 10.7 Inventories 6.1 7.8 1.9 0.9 2.0 ROE 0.0 1.1 0.1 -2.1 1 Receivables 34.4 46.8 48.3 40.1 49.5 ROA 0.0 1.0 0.1 -1.2 0 Cash 239.0 229.6 189.3 178.3 199.5 DuPont Analysis Net Margin (%) 0.0 1.6 0.1 -2.1 1 Assets 414.5 415.9 425.6 415.0 418.2 Net Margin (%) 0.0 1.6 0.1 -2.1 1							EBITDA Margin	26.8	26.4	21.3	23.3	23
Fixed Assets	Balance Sheet						EBIT Margin	0.8	3.2	0.5	-3.4	0.
Fixed Assets 131.6 126.4 175.3 184.7 156.3 Net Profit Margin 0.0 1.6 0.1 -2.1 1 Intangible Assets 0.0 0.0 0.0 0.0 0.0 0.0 Core Net Margin 0.0 1.6 0.1 -2.1 1 Intangible Assets 0.0 0.0 0.0 0.0 0.0 0.0 Core Net Margin 0.0 1.6 0.1 -2.1 1 Intendible Assets 0.0 0.0 0.0 0.0 0.0 Core Net Margin 0.0 1.6 0.1 -2.1 1 Intendible Assets 0.0 0.0 0.0 0.0 0.0 0.0 1.0 0.1 0.7 10.7 1	FY Jul (RM m)	2020A	2021A	2022A	2023F	2024F	PBT Margin	2.4	4.4	1.7	-2.3	1.
Intangible Assets 0.0 0.	Fixed Assets		126.4	175.3	184.7	156.3	Net Profit Margin	0.0	1.6	0.1	-2.1	1.
Other FA 4.2 4.1 4.8 4.8 4.8 Effect. Tax Rate 24.7 10.0 10.7 10.7 10 Inventories 6.1 7.8 1.9 0.9 2.0 ROE 0.0 1.1 0.1 -1.2 0 Receivables 34.4 46.8 48.3 40.1 49.5 ROA 0.0 1.0 0.1 -1.0 0 Other CA 3.5 5.3 10.9 10.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 1.1 0.1 1.1 1.1 1.1 1.1 1.1 1.1 1.1 1.	Intangible Assets	0.0	0.0	0.0	0.0	0.0	_	0.0	1.6	0.1	-2.1	1
Receivables 34.4 46.8 48.3 40.1 49.5 Properties 40.1 40.5 Roa 40.0 1.0 40.1 40.0 40.	_	4.2	4.1	4.8	4.8	4.8	-	24.7	10.0	10.7	10.7	10
Other CA Cash 3.5 5.3 10.9 10.9 10.9 DuPont Analysis Total Assets 414.5 415.9 425.6 415.0 418.2 DuPont Analysis Payables 24.3 30.4 26.1 22.9 26.5 Leverage Factor (x) 1.16 1.14 1.17 1.17 1.7 ST Borrowings 21.1 7.4 11.9 11.9 11.9 ROE (%) 0.0 1.1 0.1 -2.1 1 Other ST Liability 2.8 1.4 0.0 0.0 0.0 0.0 1.1 0.1 0.1 -1.2 0 Other ST Liability 2.8 1.4 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0.1 1.17 1.17 1.2 0 Other LT Liability 5.5 6.9 9.9 9.9 9.9 Debt/Asset (x) 0.1 0.0 0.1 0.1 0.1 Share Capital 43.7 43.7 43.7	Inventories	6.1	7.8	1.9	0.9	2.0	ROE	0.0	1.1	0.1	-1.2	0
Other CA Cash 3.5 5.3 10.9 10.9 10.9 DuPont Analysis Total Assets 414.5 415.9 425.6 415.0 418.2 DuPont Analysis Payables 24.3 30.4 26.1 22.9 26.5 Leverage Factor (x) 0.58 0.60 0.58 0.50 0.0 ST Borrowings 21.1 7.4 11.9 11.9 11.9 11.9 ROE (%) 0.0 1.1 0.1 -1.17 1.17 1.7 1.10 0.0 0.0 <td>Receivables</td> <td>34.4</td> <td>46.8</td> <td>48.3</td> <td>40.1</td> <td>49.5</td> <td>ROA</td> <td>0.0</td> <td>1.0</td> <td>0.1</td> <td>-1.0</td> <td>0</td>	Receivables	34.4	46.8	48.3	40.1	49.5	ROA	0.0	1.0	0.1	-1.0	0
Cash 239.0 229.6 189.3 178.3 199.5 DuPont Analysis Total Assets 414.5 415.9 425.6 415.0 418.2 Net Margin (%) 0.0 1.6 0.1 -2.1 1 Payables 24.3 30.4 26.1 22.9 26.5 Leverage Factor (x) 1.16 1.14 1.17 1.17 1.7 ST Borrowings 21.1 7.4 11.9 11.9 11.9 11.9 ROE (%) 0.0 1.1 0.1 -1.2 0 Other ST Liability 2.8 1.4 0.0 0.0 0.0 0.0 1.1 0.1 0.1 -1.2 0 Other LT Liability 5.5 6.9 9.9 9.9 9.9 Debt/Asset (x) 0.1 0.0 0.1 0.1 0.0 Net Assets 356.3 363.4 362.4 354.8 354.5 Debt/Equity (x) 0.1 0.0 0.1 0.1 0.0 Share Capital 43.7	Other CA	3.5	5.3	10.9	10.9	10.9						
Total Assets 414.5 415.9 425.6 415.0 418.2 Net Margin (%) 0.0 1.6 0.1 -2.1 1 Payables 24.3 30.4 26.1 22.9 26.5 Leverage Factor (x) 1.16 1.14 1.17 1.17 1.7 ST Borrowings 21.1 7.4 11.9 11.9 11.9 ROE (%) 0.0 1.1 0.1 -1.2 0 Other ST Liability 2.8 1.4 0.0 0.0 0.0 0.0 1.1 0.1 0.1 -1.2 0 Other ST Liability 2.8 1.4 0.0 0.0 0.0 0.0 0.0 0.0 1.1 0.1 0.1 0.1 0.1 0.1 0.1 0.1 0.1 0.0 0.1 0.1 0.0 0.1 0.1 0.0 0.1 0.1 0.0 0.1 0.1 0.0 0.1 0.1 0.0 0.1 0.1 0.0 0.1 0.0 0.1		239.0	229.6	189.3	178.3	199.5	DuPont Analysis					
Payables 24.3 30.4 26.1 22.9 26.5 Leverage Factor (x) 1.16 1.14 1.17 1.		414.5	415.9	425.6	415.0	418.2		0.0	1.6	0.1	-2.1	1
Payables 24.3 30.4 26.1 22.9 26.5 Leverage Factor (x) 1.16 1.14 1.17 1.17 1.17 1.17 ST Borrowings 21.1 7.4 11.9 11.9 11.9 11.9 ROE (%) 0.0 1.1 0.1 -1.2 00 Other ST Liability 2.8 1.4 0.0 0.0 0.0 ULT Borrowings 4.5 6.4 15.4 15.4 15.4 Leverage Other LT Liability 5.5 6.9 9.9 9.9 9.9 Debt/Asset (x) 0.1 0.0 0.1 0.1 0.1 0.1 Net Cash/(Debt) 213.4 215.8 162.0 151.0 172 Share Capital 43.7 43.7 43.7 43.7 43.7 43.7 Net Debt/Equity (x) -0.6 -0.6 -0.4 -0.4 -0.4 Reserves 312.6 319.7 318.7 311.2 310.8 Total Equity 356.3 363.4 362.4 354.8 354.5 Valuations EPS (sen) 0.2 9.3 0.5 -10.0 60 Core EPS (sen) 0.2 9.3 0.5 0.5 -10.0 60 Core EPS (sen) 0.2 9.3 0.5 0.5 -10.0 60 Core EPS (sen) 0.2								0.58	0.60	0.58	0.50	0.6
ST Borrowings 21.1 7.4 11.9 11.9 11.9 0.0 0.0 1.1 0.1 -1.2 0.0 Other ST Liability 2.8 1.4 0.0 0.1 0.0 0.1 0.0 0.1 0.1 0.0 0.1 0.1 0.0 0.1 0.1 0.0 0.1 0.1 0.0 0.1 0.1 0.0 0.1 0.1 0.0 0.1 0.1 0.0 0.1 0.1 0.0 0.1 0.1 0.0 0.1 0.1 0.0 0.1 0.1 0.1 0.1 0.1 0.1 0.1 0.1 0.1 0.1 0.1 0.1 0.1 0.1 0.1	Pavables	24.3	30.4	26.1	22.9	26.5		1.16	1.14	1.17	1.17	1.1
Other ST Liability 2.8 1.4 0.0 0.0 0.0 Leverage Other LT Liability 5.5 6.9 9.9 9.9 9.9 Debt/Asset (x) 0.1 0.0 0.1 0.1 0.1 Net Assets 356.3 363.4 362.4 354.8 354.5 Debt/Equity (x) 0.1 0.0 0.1 0.1 0.0 Net Assets 356.3 363.4 362.4 354.8 354.5 Debt/Equity (x) 0.1 0.0 0.1 0.1 0.1 0.0 Share Capital 43.7 43.7 43.7 43.7 43.7 43.7 Net Debt/Equity (x) -0.6 -0.6 -0.4 -0.4 -0.4 -0.4 Reserves 312.6 319.7 318.7 311.2 310.8 310.8 Yaluations EPS (sen) 0.2 9.3 0.5 -10.0 6 Cashflow Statement FY Jul (RM m) 2020A 2021A 2022A 2023F 2024F NDPS (sen) 7.5	•	21.1	7.4	11.9	11.9	11.9	= : :	0.0	1.1	0.1	-1.2	0
Content of the provings	_	2.8	1.4	0.0	0.0	0.0	- (,					
Other LT Liability 5.5 6.9 9.9 9.9 9.9 Debt/Asset (x) 0.1 0.0 0.1 0.	•	4.5	6.4	15.4	15.4	15.4	Leverage					
Net Assets 356.3 363.4 362.4 354.8 354.5 Debt/Equity (x) Debt/(x) 0.1 0.0 0.1 0.0 0.1 0.1 0.0 0.1 0.1 0.0 0.1 0.1	J	5.5	6.9	9.9	9.9	9.9		0.1	0.0	0.1	0.1	0
Net Cash/(Debt) 213.4 215.8 162.0 151.0 172		356.3	363.4	362.4	354.8	354.5		0.1	0.0	0.1	0.1	0.
Share Capital 43.7 43.7 43.7 43.7 43.7 Net Debt/Equity (x) -0.6 -0.6 -0.4 -0.4 -0.4 -0.8 Reserves 312.6 319.7 318.7 311.2 310.8 Total Equity 356.3 363.4 362.4 354.8 354.5 Valuations EPS (sen) 0.2 9.3 0.5 -10.0 6 Cashflow Statement Core EPS (sen) 0.2 9.3 0.5 -10.0 6 Core EPS (sen) 0.2 9.3 0.5 -10.0 6 Reserves 312.6 319.7 318.7 311.2 310.8 Total Equity 356.3 363.4 362.4 354.8 354.5 Valuations EPS (sen) 0.2 9.3 0.5 -10.0 6 Reserves 312.6 37.1 43.8 58.3 55.3 BVPS (sen) 7.5 9.0 7.5 7.5 7.5 7 Operating CF 86.5 37.1 43.8 58.3 55.3 BVPS (RM) 8.3 8.4 8.4 8.2 8 Investing CF (28.2) (42.0) (33.5) (70.0) (30.0) PER (x) 3298 79.0 1436 -73.6 110 Net Div. Yield (%) 1.0 1.2 1.0 1.0 1.0								213.4	215.8	162.0	151.0	172
Reserves 312.6 319.7 318.7 311.2 310.8 Total Equity 356.3 363.4 362.4 354.8 354.5 Cashflow Statement FY Jul (RM m) 2020A 2021A 2022A 2023F 2024F Operating CF 86.5 37.1 43.8 58.3 55.3 BVPS (RM) 8.3 8.4 8.4 8.2 88 Investing CF (28.2) (42.0) (33.5) (70.0) (30.0) PER (x) 3298 79.0 1436 -73.6 110 Financing CF (50.2) (15.7) 6.3 (4.1) (4.1) Core PER (x) 3298 79.0 1436 -73.6 110 Net Div. Yield (%) 1.0 1.2 1.0 1.0 1	Share Capital	43.7	43.7	43.7	43.7	43.7	` ,	-0.6	-0.6	-0.4	-0.4	-0
Total Equity 356.3 363.4 362.4 354.8 354.8 Valuations EPS (sen) 0.2 9.3 0.5 -10.0 66 Core EPS (sen) 0.2 9.3 0.5 -10.0 66 FY Jul (RM m) 2020A 2021A 2022A 2023F 2024F NDPS (sen) 7.5 9.0 7.5 7.5 7 Operating CF 86.5 37.1 43.8 58.3 55.3 BVPS (RM) 8.3 8.4 8.4 8.2 8 Investing CF (28.2) (42.0) (33.5) (70.0) (30.0) PER (x) 3298 79.0 1436 -73.6 110 Financing CF (50.2) (15.7) 6.3 (4.1) (4.1) Core PER (x) 3298 79.0 1436 -73.6 110 NDPS (sen) 7.5 9.0 7.5 7.5 7.5 7.5 7.5 7.5 7.5 7.5 7.5 7.5 7.5 7.5 7.5 7.5 7.5 7.5 7.5	•	312.6	319.7	318.7	311.2	310.8						
EPS (sen) 0.2 9.3 0.5 -10.0 66 Cashflow Statement FY Jul (RM m) 2020A 2021A 2022A 2023F 2024F NDPS (sen) 7.5 9.0 7.5<			363.4	362.4	354.8	354.5	Valuations					
Cashflow Statement Core EPS (sen) 0.2 9.3 0.5 -10.0 6 FY Jul (RM m) 2020A 2021A 2022A 2023F 2024F NDPS (sen) 7.5 9.0 7.5 7.5 7.5 Operating CF 86.5 37.1 43.8 58.3 55.3 BVPS (RM) 8.3 8.4 8.4 8.2 8 Investing CF (28.2) (42.0) (33.5) (70.0) (30.0) PER (x) 3298 79.0 1436 -73.6 110 Financing CF (50.2) (15.7) 6.3 (4.1) (4.1) Core PER (x) 3298 79.0 1436 -73.6 110 Net Div. Yield (%) 1.0 1.2 1.0 1.0 1.0 1								0.2	9.3	0.5	-10.0	6
FY Jul (RM m) 2020A 2021A 2022A 2023F 2024F NDPS (sen) 7.5 9.0 7.5 8	Cashflow Statement						` '	0.2		0.5	-10.0	6
Operating CF 86.5 37.1 43.8 58.3 55.3 BVPS (RM) 8.3 8.4 8.4 8.2 8 Investing CF (28.2) (42.0) (33.5) (70.0) (30.0) PER (x) 3298 79.0 1436 -73.6 110 Financing CF (50.2) (15.7) 6.3 (4.1) (4.1) Core PER (x) 3298 79.0 1436 -73.6 110 Net Div. Yield (%) 1.0 1.2 1.0 1.0 1		2020A	2021A	2022A	2023F	2024F						7
Investing CF (28.2) (42.0) (33.5) (70.0) (30.0) PER (x) 3298 79.0 1436 -73.6 110 Financing CF (50.2) (15.7) 6.3 (4.1) (4.1) Core PER (x) 3298 79.0 1436 -73.6 110 Net Div. Yield (%) 1.0 1.2 1.0 1.0 1												8
Financing CF (50.2) (15.7) 6.3 (4.1) (4.1) Core PER (x) 3298 79.0 1436 -73.6 110 Net Div. Yield (%) 1.0 1.2 1.0 1.0 1												110
Net Div. Yield (%) 1.0 1.2 1.0 1.0 1	-											110
	· · · · · · · · · · · · · · · · · · ·	()	(- /		, ,	,	` '					1
							` '					0.

KESM Industries Bhd Company Update

22 March 2023

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Mkt Cap (RM'm)	Shariah Compliant	Current FYE	Core EF	PS (sen)	Core EPS	Growth		– Core lings	PBV (x)	ROE (%)	Net. Div. (sen)	Net. Div. Yld (%)
		()	()					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
D&O GREEN TECHNOLOGIES BHD	UP	4.15	3.51	-15.42%	5,136.6	Υ	12/2023	10.3	14.0	31.6%	35.5%	40.1	29.6	5.4	14.0%	1.7	0.4%
GHL SYSTEMS BHD	OP	0.860	1.05	22.09%	981.7	Υ	12/2023	3.0	3.4	21.3%	12.9%	28.7	25.4	1.8	6.5%	0.0	0.0%
NARI AMERTRON BHD	MP	2.38	2.60	9.24%	8,884.4	Υ	06/2023	10.2	11.5	-3.2%	12.7%	23.3	20.7	3.5	15.0%	9.7	4.1%
HM CONSOLIDATION BHD	MP	0.780	0.800	2.56%	469.7	Υ	12/2023	5.3	5.9	40.0%	10.6%	14.7	13.3	1.3	9.8%	0.5	0.6%
KELINGTON GROUP BHD	OP	1.40	1.92	37.14%	900.2	Υ	12/2023	8.7	9.0	1.1%	3.2%	16.1	15.6	3.2	21.3%	2.4	1.7%
ESM INDUSTRIES BHD	MP	7.35	8.24	12.11%	316.2	Υ	07/2023	(10.0)	6.7	-2250.0%	-32.6%	N.A.	110.3	0.9	-1.2%	7.5	1.0%
GMS BHD	OP	1.18	1.50	27.12%	538.1	Υ	12/2022	3.5	5.9	26.2%	69.8%	33.9	19.9	5.4	17.4%	0.0	0.0%
MALAYSIAN PACIFIC INDUSTRIES BHD	UP	27.86	20.00	-28.21%	5,541.3	Υ	06/2023	81.1	130.6	-51.0%	61.0%	34.4	21.3	2.6	7.9%	35.0	1.3%
NATIONGATE HOLDINGS BHD	OP	1.36	1.50	10.29%	2,820.5	Υ	12/2023	5.5	6.5	32.2%	18.6%	24.9	21.0	8.2	39.6%	0.0	0.0%
OPPSTAR BHD	OP	2.24	1.30	-41.96%	1,425.1	N	12/2023	3.1	4.0	18.1%	29.6%	72.7	56.1	49.5	90.7%	0.8	0.4%
PIE INDUSTRIAL BHD	OP	3.44	4.05	17.73%	1,321.1	Υ	12/2023	22.5	25.3	22.0%	12.5%	15.3	13.6	2.1	14.6%	7.0	2.0%
KP RESOURCES BHD	UP	1.30	1.20	-7.69%	2,031.1	Υ	03/2023	9.7	7.9	-11.1%	-17.9%	13.4	16.5	2.3	17.8%	4.8	3.7%
JNISEM (M) BHD	MP	3.09	3.10	0.32%	4,984.4	Υ	12/2023	15.4	17.2	2.1%	11.4%	20.1	18.0	1.9	10.0%	6.0	1.9%
Simple Average										-6.7%	18.2%	24.9	21.0	6.8	20.3%		1.3%

Source: Kenanga Research

22 March 2023

Stock ESG Ratings:

	Criterion	Rating									
	Earnings Sustainability & Quality	*	*	☆							
3AL	Corporate Social Responsibility	*	*	*							
GENERAL	Management/Workforce Diversity	*	*	☆							
8	Accessibility & Transparency	*	*	☆							
	Corruption-Free Pledge	*	*	*							
	Carbon-Neutral Initiatives	*	*	☆							
	Foreign Worker Welfare	*	*	*							
O	Supply Chain Auditing	*	*	*							
SPECIFIC	Waste disposal / pollution control	*	*	☆							
1 2	Energy Efficiency	*	*	*							
S	Work Site Safety	*	*	*							
	Digital Transformation	*	*	☆							
	OVERALL	*	*	*							

denotes half-star
+ -10% discount to TP
+ ★ + 5% discount to TP
TP unchanged
+ + 5% premium to TP
+ + + +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%

MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%

UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%

NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%

UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

***Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

