

15 March 2023

Oppstar Bhd

Home-Grown IC Designer Making Its Mark

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OPPSTAR specialises in integrated circuit (IC) design with capabilities up to 5nm process node. Being the first local IC design house, the group offers a unique exposure to the front-end semiconductor space which entails lucrative margins. OPPSTAR is poised to benefit from the growing demand for IC design services given its expertise in FinFET technology and good working relationship with various foundries. Its venture into proprietary IP development over the next three years may potentially morph into another significant revenue stream being an alternative to Western-dominated chip architecture. Initiate with an OUTPERFORM call and TP of RM1.30.

Forging new paths in the industry. OPPSTAR, led by three ex-Intel engineers, is taking the lead as the first prominent front-end semiconductor player in the local tech scene largely dominated by back-end processes (i.e. OSATs) for many decades. Thanks to its asset-light business model, OPPSTAR solely depends on its engineers to carry out IC design projects, translating into lucrative gross profit margins of c.59% and net profit margins of >30%.

Forefront of the competition. OPPSTAR specialises in FinFET designs with a proven track record of delivering multiple turnkey projects requiring process nodes ranging from 20nm to 5nm. The group has also developed a good working relationship with various foundries (i.e. TSMC, Samsung Semiconductor, Intel and GlobalFoundries), with the ability to adapt to different parameters and requirements that are unique to each foundry. As such, the group as an outsourced IC design house is well positioned to benefit from the US-Sino trade war as many Chinese IDMs are looking for IC design services to help develop their own chips, or to migrate to a different foundry due to tightening US restrictions on access to Western-developed chips and foundry equipment.

Breaking grounds with new IPs. Recognising the growing demand for higher efficiency chip design with quicker time-to-market, the group has allocated RM12m or 11.5% of its IPO proceed for development of its proprietary intellectual property (IP) in the following areas: (i) RISC-V SoC, (ii) 3D-FPGA and (iii) AI and machine learning. We are very positive on this initiative as having its own IP that runs on an open-sourced chip architecture will enable the group to offer an alternative to IDM players that are looking to move away from Intel's x86 and ARM-based architecture which is susceptible to US restriction policy.

Initiate coverage on OPPSTAR with an OUTPERFORM call and a TP of RM1.30 based on 25x FY25F PER, at a 10% premium to the weighted average forward PER of 23x of its peers. We believe the premium is justifiable based on: (i) its Malaysian nationality which is less susceptible to the fallout from the Sino-US chip war; and (ii) the scarcity of listed IC designers in the local stock market.

We like OPPSTAR for: (i) its foothold and growing presence in the front-end semiconductor space with high entry barriers, specifically, stringent qualification requirements, (ii) its ability to attract customers from both the East and the West thanks to its access to various foundries and strong design capabilities in leading-edge process nodes; and (iii) its superior net profit margin of c.32.8% vs peers' range of 6.4%-19.3%.

Risks to our call include: (i) longer-than-expected gestation period for its regional expansions, (ii) single customer concentration risk with c.68% group revenue derived from Xiamen KirinCore, (iii) economic downturn resulting in customers slowing down the development of new ICs.

OUTPERFORM

IPO Price : **RM0.63**
Target Price : **RM1.30**

KLCI	1,393.8
YTD KLCI chg	-6.8%
YTD stock price chg	n.a.%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	OPPSTAR MK Equity
Market Cap (RM m)	400.8
Shares Outstanding	636.2
52-week range (H)	n.a.
52-week range (L)	n.a.
3-mth avg daily vol:	n.a.
Free Float	26%
Beta	n.a.

Major Shareholders

Ng Meng Thai	20.1%
Cheah Hun Wah	21.2%
Tan Chun Chiat	13.4%

Summary Earnings Table

FYE Mar (RM m)	2023F	2024F	2025F
Turnover	59.6	75.1	98.5
EBITDA	28.3	35.8	46.8
PBT	27.3	34.4	45.2
Net Profit (NP)	19.6	25.4	33.4
Consensus (NP)	n.a	n.a	n.a
Erg Revision	-	-	-
EPS (sen)	3.1	4.0	5.2
EPS growth (%)	17.9	29.8	31.4
NDPS (sen)	0.8	1.0	1.3
BVPS (RM)	0.05	0.08	0.11
Price/BV (x)	14.0	8.4	5.5
PER (x)	20.5	15.8	12.0
Gearing (x)	0.0	0.0	0.0
ROA (%)	13.3	15.0	16.9
ROE (%)	68.2	53.2	45.8
Dividend Yield (%)	1.2	1.6	2.1

COMPANY BACKGROUND

Going public today (IPO date: 15 Mar 2023), Oppstar Bhd (OPPSTAR) is the first company in Bursa Malaysia Exchange that has a prominent presence in the front-end semiconductor space, particularly in IC design services. The group specialises in fin field-effect transistors (FinFET) IC designs with complexity ranging from 20nm up to 5nm.

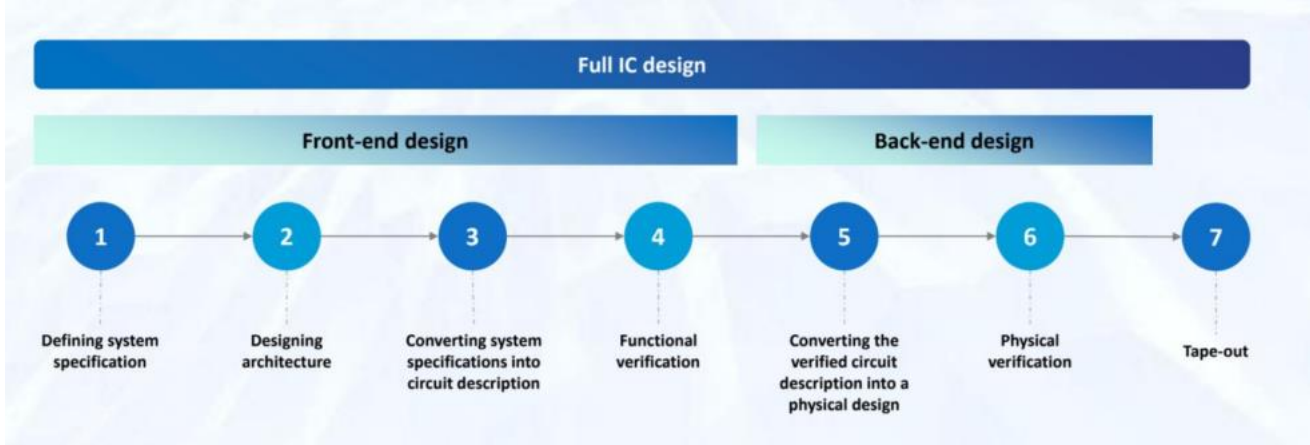
OPPSTAR’s history dates back to March 2014 when it was founded by Ng Meng Thai who was an ex-Intel engineer with more than 34 years of experience in integrated circuit (IC) design. The group started off by providing back-end IC design services to a US-based fabless company that specialises in field programmable gate array (FPGA). Ng was later joined by another two ex-Intel engineers, Cheah Hun Wah as the chief technology officer (CTO) in October 2014 and Tan Chun Chiat as the chief operating officer (COO) in 2015. With its strong leadership and proven capabilities, OPPSTAR made inroads into the Singapore market in 2017 where it secured an IC design project for a fabless company. The group later incorporated OPPSTAR Shanghai to support the fast-growing demand in China where it secured its first major turnkey project. Fast forward to 2023, OPPSTAR has grown its expertise in delivering full turnkey IC design (see Exhibit 1) for various products such as application specific integrated circuit (ASIC), system on chip (SoC), central processing unit (CPU) and FPGA. From a team of five design engineers in 2014, the group currently has a workforce of 227 employees, which include 217 engineers.

The group’s IC design service caters to various industries (see Exhibit 2) which includes telecommunication, industrial electronics, automotive and consumer electronics.

Its business can be categorised into three main pillars:

- **Turnkey design services (79%):** This involves: (i) OPPSTAR working with customer’s in-house design team (that has already developed their own intellectual property) to provide assistance on certain areas where the customer lacks expertise, and (ii) full IC design turnkey comprising managing of the entire project where OPPSTAR designs the IP, integrate them into the IC and provide automation functions according to customer’s specifications. Completion of major turnkey projects typically spans across 1 to 1.5 years due to extensive job scope and workforce requirement of up to 120 engineers.
- **Specific design services (20.8%):** Customers in this business segment already has their own in-house design team but engages OPPSTAR for very specific design services to address the lack of resources or skill gap during the IC development cycle. These customers include integrated device manufacturer (IDM), fabless companies, fab-lite companies, and other IC design houses. Projects timeline in this category typically ranges from a few months to under a year depending on the complexity required.
- **Others (0.2%):** OPPSTAR also provides post-silicon validation services, training, and consultancy services via its 57.5%-owned subsidiary, Alpha Core Sdn Bhd, while the remaining 42.5% is held by Sophic Automation. In an effort to strengthen its offering in post-silicon validation, the group initiated this strategic partnership with Sophic Automation in 2022 to leverage on their engineering resources and customer base.

Exhibit 1: Full IC Design Services Offered by OPPSTAR



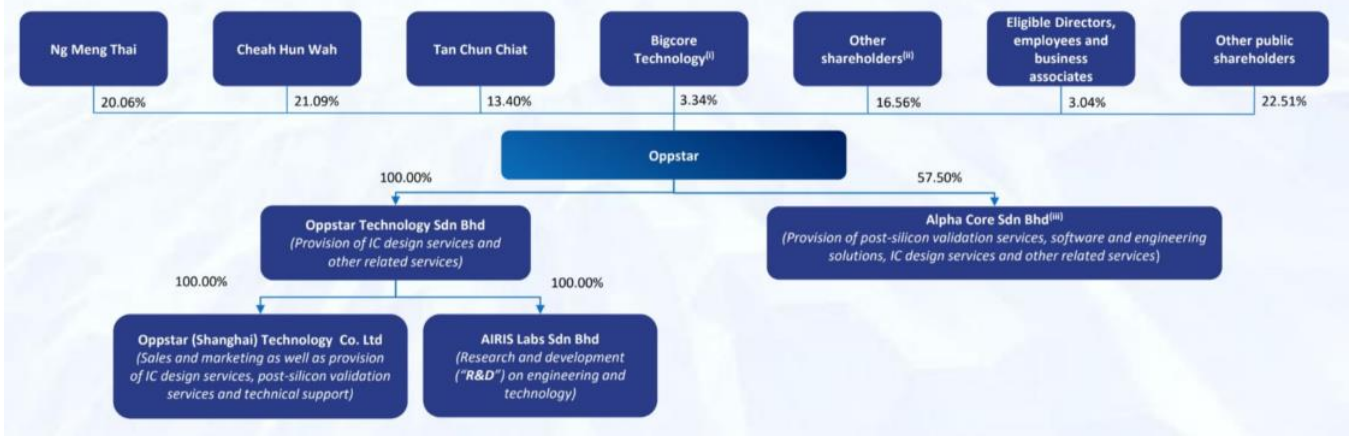
Source: Company

Exhibit 2: Industries That OPPSTAR Services

Industries	End Products
Telecommunications	Telecommunication towers, phone switching systems, modems, routers, networking equipment and servers
Industrial electronics	Manufacturing equipment, power equipment and measurement equipment
Automotive	Sensors, entertainment systems, navigation systems and control systems
Consumer electronics	Desktop computers, laptops, smartphones, tablets, smart watches, servers, monitors, keyboards, mice, smart glasses and smart home appliances

Source: Company

Exhibit 3: Corporate Structure



Source: Company

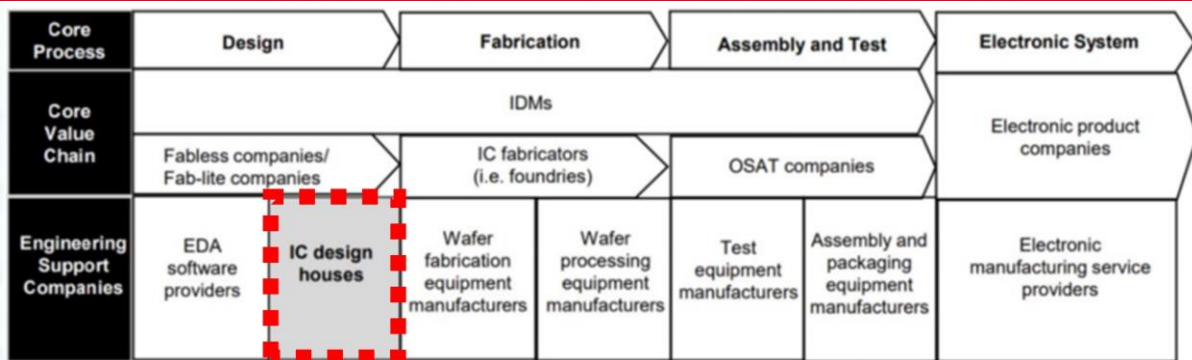
KEY MANAGEMENT PROFILE

1. **Ng Meng Thai** is the founder and CEO with more than 34 years of experience in IC design. He obtained his Bachelor of Engineering from University Sains Malaysia in 1989 and subsequently a Master of Business Administration from Royal Melbourne Institute of Technology in 2008. Ng started his career as a design engineer with Hitachi Semiconductor (now known as Renesas Semiconductor) where he worked alongside the design team in Japan to develop microcontrollers IC. He then joined Intel as a senior design engineer involved in the development of multiple CPU generations across various process nodes. Ng’s last held position was as a director in Altera Corporation (acquired by Intel in 2015) where he supervised the FPGA IC design team in developing multiple generations ranging from high-end, mid-range and low-cost FPGA chips. Subsequently, he left Altera and incorporated OPPSTAR in 2014.
2. **Cheah Hun Wah** serves as the CTO of the company, overseeing the group’s R&D activities which involve development of new technology procedures to enhance the group’s service offerings. He obtained his Bachelor of Engineering from University of Lincoln in 1994 and a Master of Science in Engineering Business Management from University of Warwick in 2011. Cheah began his engineering career in Intel where he was responsible for back-end design activities, focusing on very large scale integration (VLSI) IC designs. After spending eight years in Intel, Cheah moved to Altera Corporation as a senior manager in the design engineering department where he manages the back-end design teams for FPGA products. In 2014, he left Altera to join OPPSTAR where he spearheaded the group’s expansion to become a complete IC design turnkey provider.
3. **Tan Chun Chiat** joined OPPSTAR in 2015 as the COO, overseeing day-to-day operations of the group. He graduated from Queen’s University of Belfast with a Bachelor of Engineering in 1992 and later on completed his Master of Business Administration from University of Strathclyde in 2001. Tan kickstarted his career as a quality assurance engineer at Conner Peripherals. In the subsequent year, he moved to Intel to take on the responsibility in designing new generations of burn-in and test hardware for CPUs and chipsets. Tan took on various roles in his 22 years spent in Intel where his last position was a manager where he supervised the software development engineering team specialising in providing technology development in factory software automation solutions.

INVESTMENT MERITS

One of its kind. In the global semiconductor supply chain, Malaysia has earned its reputation as one of the important hub for chip assembly and test services (or sometimes referred to as the back-end semiconductor process) since the incorporation of outsourced semiconductor assembly and test (OSAT) companies like Malaysia Pacific Industries in the 1960s and Unisem in the 1980s. OSAT services, although being ranked lower in the semiconductor value chain due it being less complex but tedious in nature, have thrived in Malaysia thanks to the availability of affordable workforce from both local and neighbouring countries. However, advancement of the local economy has led to increased minimum wages which has pushed local tech companies to strive towards moving up the semiconductor value chain. While there were encouraging efforts exhibited by a handful of companies along the years, Malaysia is still very much regarded as a back-end centric hub and therefore continues to attract businesses relating to both the OSAT as well as the electronic manufacturing services (EMS). With the emergence of OPPSTAR, Malaysia now truly has its first pure IC design house (see Exhibit 4) that operates in the front-end semiconductor supply chain, an area largely dominated by large Western MNCs.

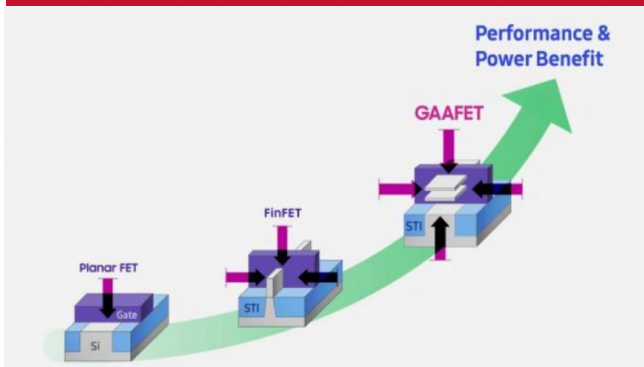
Exhibit 4: IC Design in the Semiconductor Supply Chain



Source: Company, Smith and Zander

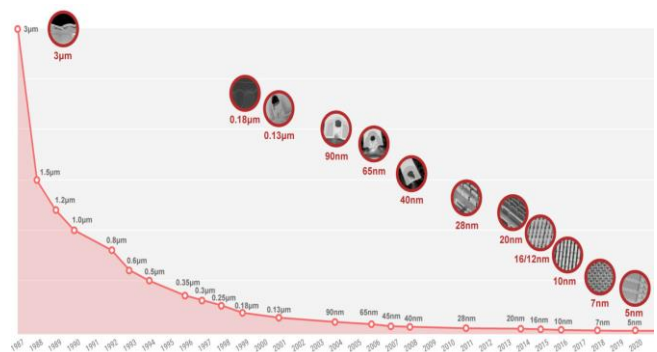
At the forefront of technology. Led by the three ex-Intel engineers with a collective experience of more than 90 years in IC design, OPPSTAR has been able to keep abreast with the rapid pace of technology advancement despite the company’s brief history. Consequently, the group tends to be the leading contender for potential job awards. It specialises in FinFET IC designs (see Exhibit 5) with the ability to take on projects up to 5nm process node (see Exhibit 6) which is currently the most advanced process node used commercially. Note that FinFET technology is a cutting-edge IC design methodology that allows the production of a greater number of transistors within a confined space on a wafer, by extending traditional 2D structures into 3D structures which entails designing and fabricating transistors vertically.

Exhibit 5: IC Design Advancement



Source: Samsung

Exhibit 6: Evolution of Process Node Technology



Source: TSMC

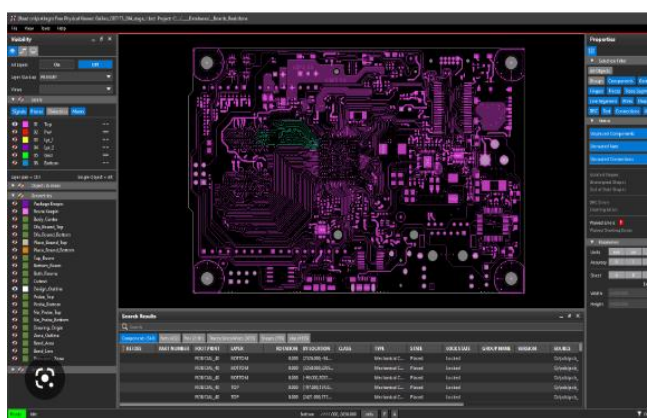
Recognising the increase in market demand for ICs with enhanced processing speeds and lower power consumption, the group continues to sharpen its capabilities on FinFET technology to position itself at the forefront of the industry. As a result, the group recently secured a project for the leading-edge 3nm process node. This new process node, which is yet to be commercialised, is expected to supersede the 5nm node.

Furthermore, OPPSTAR has indicated its intention to increase its capabilities by offering IC design services beyond the 3nm process node. To do so, the group is developing technology procedures to venture into gate-all-around field-effect transistor (GAAFET) designs, an improvement from 3D structures used in FinFET designs. As its name implies, GAAFET allows the gate structure to be present all around the transistor channel, enveloping all four sides (vs. three sides on FinFET) for better control of electron flow. This will further lessen current leakages, reduce dynamic power, and allow the IC to operate at a lower voltage. Essentially, GAAFET offers the benefit of higher performance with better power efficiency.

In a sweet spot amidst the US-China chip war. As a result of the race between the US and China for technological superiority, many Chinese semiconductor players are forced to design certain semiconductor chips on their own from scratch due to US restrictions preventing China’s access to ready-made chips. As such, we believe OPPSTAR stands to significantly benefit from the on-going trade diversion owing to its unhindered access to the global front-end semiconductor supply chain. Having worked with various leading foundries such as TSMC, Samsung Semiconductor, Intel, and GlobalFoundries, OPPSTAR has gained extensive expertise and a diverse range of knowledge. This is particularly important given that each IC design project is unique and specific to the foundry’s manufacturing process with its own set of design rules, which specify the geometric and connectivity restrictions.

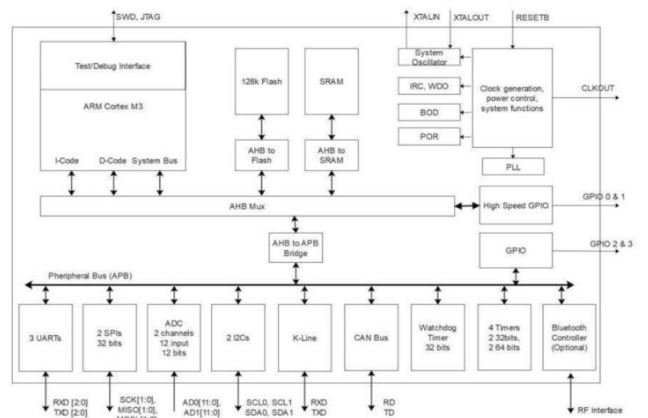
In addition, the supply chain shake-up caused by US tightening restrictions — particularly on purchasing of certain electronic design automation (EDA) tools (see Exhibit 7) or engaging foundries that is capable on producing leading-edge process nodes — would result in many existing Chinese integrated design manufacturers (IDM) or fabless players being forced to migrate to a different foundry for their fabrication or tape out process (see Exhibit 1). However, migration would entail modifying the design for IC fabrication which requires variations to meet the rules and parameters of the new desired foundry process. This makes OPPSTAR a preferred IC design house to conduct these migration projects given its flexibility and adaptability to work with various foundries’ unique requirements. Based on FY22 numbers, contribution from China has grown to c.78% of the group’s revenue, a significant increase from c.53% two years ago.

Exhibit 7: Electronic Design Automation (EDA) Tools



Source: Cadence

Exhibit 8: IC Design Sample



Source: Company

Breaking boundaries with new IPs. To further enhance its competitiveness and differentiate itself, OPPSTAR intends to develop its own intellectual property (IP) in the following areas: (i) RISC-V based SoC, (ii) 3D-FPGA, and (iii) AI and machine learning. The current chip architecture market is dominated by two main players, Intel’s x86 architecture and ARM-based architecture which is owned by Japan’s Softbank Group. However, the dominance of these two architectures is gradually showing its limitations in adapting to the industry’s fast-growing need for more efficient SoCs with faster time-to-market. As such, RISC-V emerged as the third architecture, developed out of UC Berkeley with a non-profit organization looking after it – RISC-V International. Unlike the other two, RISC-V is an open standard instruction set architecture that does not require any licensing fees and by successful developing its RISC-V based SoC, OPPSTAR will be able to unlock massive opportunities especially from China given the country’s pursuit to move away from chip design standards that are controlled by Western companies.

Similarly, the group’s venture into developing its own 3D-field programmable gate array (3D-FPGA) IP will provide a new avenue for customers that are seeking alternatives to the likes of Altera (acquired by Intel) and Xilinx (acquired by AMD), which are the two leading FPGA players in the market right now. To pursue all three IP development, the group has budgeted RM12m or 11.5% of its IPO proceeds (see Exhibit 14) over the next three years to covers expenses such as procurement of software, including EDA tools, the costs related to fabrication and packaging, payroll expenses for a team of 12 skilled R&D employees, and the registration of IP rights.

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Expanding its presence to capture growing demand. Given that OPPSTAR's project pipeline is highly tied to its workforce, the group intends to grow its engineering workforce to 500 from a current level of 217 (of which c.60% have >7 years of working experience) over the next three years, which will be funded c.48% or RM50m of its IPO proceeds. Concurrently, the group will set up new offices in Penang, India (either Bangalore or Chennai), Singapore and Taiwan (either Hsinchu or Taipei) with a budget of c.24% or RM25m of the IPO funds raised to provide better service support to its clients as well as attracting a larger pool of talent.

VALUATION

We initiate coverage on OPPSTAR with an **OUTPERFORM** recommendation and a **TP of RM1.30 based on 25x FY25F PER**, at a 10% premium to the weighted average forward PER of 23x of its peers (see Exhibit 9). We believe the premium is justifiable based on: (i) OPPSTAR's Malaysian nationality which is less susceptible to the fallout from the Sino-US chip war, and (ii) the scarcity of listed IC designers in the local stock market.

We like OPPSTAR for: (i) its foothold and growing presence in the front-end semiconductor space with high entry barriers, specifically, stringent qualification requirements, (ii) its ability to attract customers from both the East and the West thanks to its access to various foundries and strong design capabilities in leading-edge process nodes, and (iii) its superior net profit margin of c.32.8% vs peers' range of 6.4%-19.3%. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 11).

Exhibit 9: Peer Comparison

Company	Market Cap (USD mil)	Fwd PER (x)	
		CY23	CY24
Socionext Inc	2,508.6	18.5	16.2
Global Unichip Corp	4,735.7	35.5	31.0
Alchip Technologies Ltd	2,332.1	24.2	17.5
Faraday Technology Corp	1,506.9	19.0	17.4
Mkt Cap Weighted Average		27.0	23.0

Source: Bloomberg

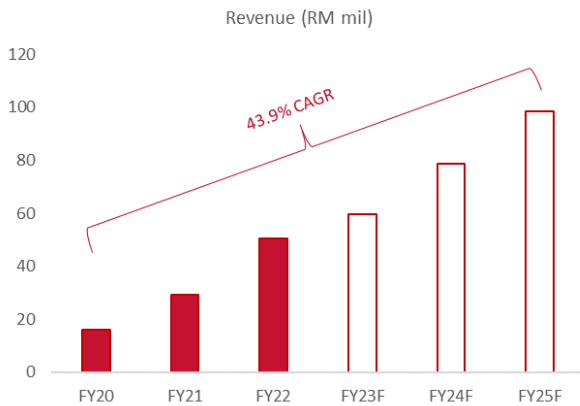
FINANCIAL PERFORMANCE

Over the past three years, from FY20 to FY22, its revenue saw an impressive CAGR growth of 78.0%. The growth was fuelled by opportunities arising from the US-China trade diversion that led to OPPSTAR securing its first full IC turnkey project from Xiamen KirinCore in FY21. In the subsequent year, the group secured its second turnkey IC design project from another Chinese IDM player, and a third major project for IP design from a US-based IDM player with operations in Malaysia. Thanks to the company's asset-light business model, where design engineers represent c.99% of the cost of sales, they enjoyed positive operating leverage, resulting in its net profit growing at a quicker pace of 528% CAGR over the same period. The group has outperformed the industry revenue growth rate of 14.9% and 30.2% for 2020 and 2021, respectively, as reported by the Taiwan Semiconductor Industry Association.

Looking ahead, we expect revenue for FY23, FY24 and FY25 to achieve RM59.6m (+17.8% YoY), RM75.1m (+26.0% YoY) and RM98.5m (+31.3% YoY) with net profit of RM19.6m (+17.9% YoY) and RM25.4m (29.8% YoY) and RM33.4 (+31.4% YoY), respectively. Despite market researcher *DataIntel*'s projections of the IC design industry to grow at 3.9% CAGR from 2021-2030, we are sanguine that OPPSTAR will outperform owing to: (i) its access to world-leading wafer fabs, (ii) deep knowledge in IC design with the ability to handle projects that requires leading-edge process nodes, and (iii) a growing presence in China where demand for IC design continues to soar amidst the US-China tech war. The group's project typically offers good earnings visibility, particularly its turnkey IC designs segment (c.79% of group revenue) which usually spans over 1 to 1.5 years.

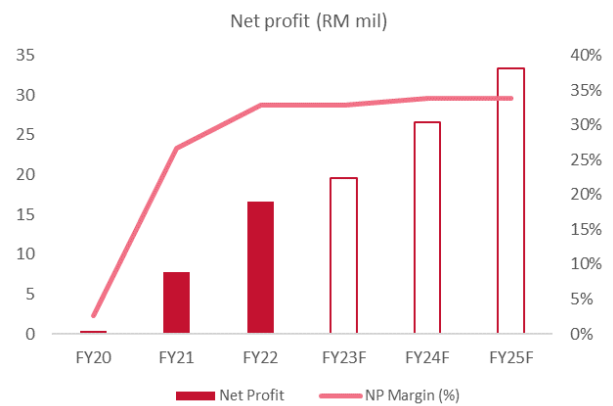
OPPSTAR has adopted a formal dividend policy to distribute at least 25% of its annual profit after tax.

Exhibit 10: Revenue (March FYE)



Source: Company, Kenanga

Exhibit 11: Net Profit (March FYE)



Source: Company, Kenanga

RISKS

Key risks include:

- (i) longer-than-expected gestation period for its regional expansions.
- (ii) single customer concentration risk with c.68% group revenue derived from Xiamen KirinCore.
- (iii) economic downturn resulting in customers slowing down the development of new ICs.
- (iv) rising competition from China and India given their large talent pool.
- (v) potential loss of critical talent given the group’s dependency on highly skilled design engineers.

APPENDIX

Exhibit 12: OPPSTAR’s Customer Base

Customers ⁽ⁱ⁾	Country	Approximate length of relationship as at the LPD	Revenue contribution		Services rendered
			RM'000	(ii)%	
FYE 2020					
Customer A group of companies	Malaysia, USA and Ireland	6	6,161	38.59	Specific design services
Customer B	PRC	4	5,937	37.19	Turnkey design services
Xiamen KirinCore	PRC	4	2,486	15.57	Turnkey design services
Customer C	Malaysia	5	515	3.23	Specific design services
Customer D	Malaysia	8	341	2.13	Specific design services
Total			15,440	96.71	
FYE 2021					
Xiamen KirinCore	PRC	4	20,698	70.73	Turnkey design services
Customer A group of companies	Malaysia, USA and Ireland	6	3,235	11.06	Specific design services
Synkom Co. Ltd	Japan	3	2,442	8.35	Specific design services
Customer B	PRC	4	1,724	5.89	Turnkey design services
Customer D	Malaysia	8	410	1.40	Specific design services
Total			28,509	97.43	
FYE 2022					
Xiamen KirinCore	PRC	4	34,600	68.43	Turnkey design services
Customer A group of companies	Malaysia, USA and Ireland	6	5,584	11.04	Specific design services
Customer B	PRC	4	4,807	9.51	Turnkey design services
Synkom Co. Ltd	Japan	3	3,318	6.56	Specific design services
Customer E group of companies	Malaysia	7	1,250	2.47	Specific design services and turnkey design services
Total			49,559	98.01	

Source: Company

Exhibit 13: OPPSTAR's IPO share allocation

Category of shareholders	As at 30 June 2022 ⁽ⁱ⁾		After our IPO	
	No. of Shares	%	No. of Shares	%
Bumiputera				
- Bumiputera investors to be approved by the MITI	-	-	⁽ⁱⁱ⁾ 79,525,000	12.50
- Bumiputera public investors via balloting	-	-	⁽ⁱⁱ⁾ 15,905,000	2.50
Total Bumiputera	-	-	95,430,000	15.00
Non-Bumiputera	468,604,200	99.55	538,653,200	84.67
Total Malaysians	468,604,200	99.55	634,083,200	99.67
Foreigners	2,116,800	0.45	2,116,800	0.33
Total	470,721,000	100.00	636,200,000	100.00

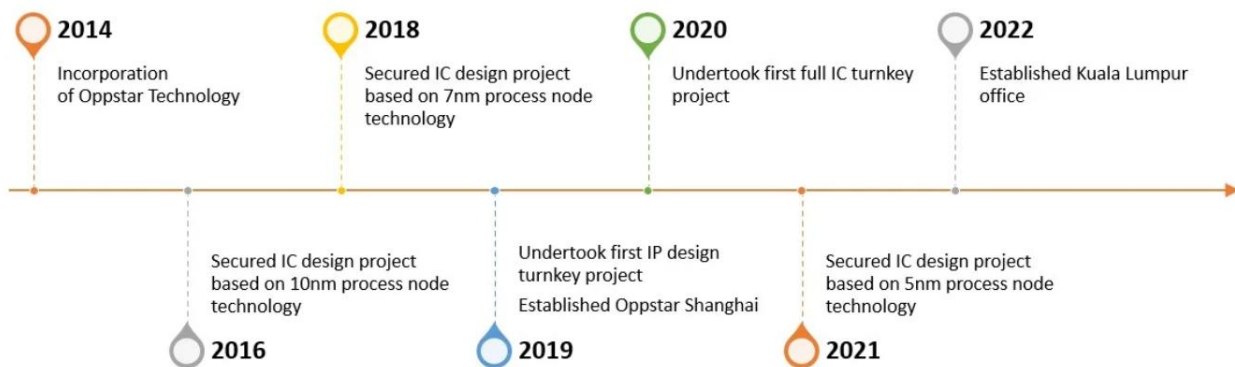
Source: Company

Exhibit 14: Detailed Use of IPO Proceeds

Details of the use of proceeds	Estimated timeframe for the use of proceeds upon Listing	RM'000	% of total gross proceeds from the IPO
Business expansion through expansion of our workforce	Within thirty-six (36) months	50,000	47.96
Establishment of new offices	Within thirty-six (36) months	25,000	23.98
R&D expenditure	Within thirty-six (36) months	12,000	11.51
Working capital	Within twenty-four (24) months	12,652	12.14
Estimated listing expenses	Within two (2) months	4,600	4.41
Total		104,252	100.00

Source: Company

Exhibit 15: Corporate Milestone



Source: Company

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Income Statement						Financial Data & Ratios					
FY Mar (RM m)	2021A	2022A	2023F	2024F	2025F	FY Mar	2021A	2022A	2023F	2024F	2025F
Revenue	29.3	50.6	59.6	75.1	98.5	Growth (%)					
EBITDA	10.7	24.1	28.3	35.8	46.8	Turnover	83.3	72.8	17.8	26.0	31.3
Depre & Amor	-0.5	-0.8	-0.9	-1.3	-1.5	EBITDA	500.4	125.4	17.5	26.7	30.9
Operating Profit	10.2	23.2	27.4	34.5	45.3	Operating Profit	557.8	127.9	17.8	26.0	31.3
Other Income	1.2	1.0	1.1	1.4	1.9	PBT	578.0	131.3	17.9	26.1	31.4
Interest Exp	-0.2	-0.1	-0.1	-0.1	-0.1	Adj Net Profit	1752	112.9	17.9	29.8	31.4
Associate	-0.1	0.0	0.0	0.0	0.0						
PBT	10.0	23.1	27.3	34.4	45.2	Profitability (%)					
Taxation	-2.2	-6.5	-7.7	-9.0	-11.8	EBITDA Margin	36.5	47.6	47.4	47.7	47.5
Minority Interest	0.0	0.0	0.0	0.0	0.0	Operating Margin	34.9	46.0	46.0	46.0	46.0
PATAMI	7.8	16.6	19.6	25.4	33.4	PBT Margin	34.2	45.7	45.8	45.8	45.9
Core PATAMI	7.8	16.6	19.6	25.4	33.4	Core Net Margin	26.7	32.8	32.9	33.9	33.9
						Effective Tax					
						Rate	22.0	28.2	28.2	26.1	26.1
						ROA	6.1	50.5	80.4	13.3	15.0
						ROE	254.8	118.3	68.2	53.2	45.8
Balance Sheet						DuPont Analysis					
FY Mar (RM m)	2021A	2022A	2023F	2024F	2025F	Net Margin (%)	1.9	2.4	0.4	0.4	0.5
Fixed Assets	2.1	2.4	3.5	4.3	4.7	Leverage Factor (x)	5.0	1.4	5.1	3.5	2.7
Intangible Assets	0.0	0.0	0.0	0.0	0.0	ROE (%)	254.8	118.3	68.2	53.2	45.8
Other FA	0.4	0.0	0.0	0.0	0.0						
Receivables	1.7	3.4	4.1	5.1	6.7	Leverage					
Other CA	5.9	8.5	8.5	8.5	8.5	Debt/Asset (x)	0.1	0.0	0.0	0.0	0.0
Cash	5.3	6.4	131.4	151.7	177.7	Debt/Equity (x)	0.7	0.0	0.0	0.0	0.0
Total Assets	15.4	20.6	147.4	169.5	197.6	Net (Cash)/Debt	-3.2	-6.3	-131.4	-151.7	-177.7
Payables	6.9	4.1	4.9	6.1	8.0	Net Debt/Equity (x)	-1.0	-0.4	-4.6	-3.2	-2.4
ST Borrowings	0.7	0.0	0.0	0.0	0.0						
Other ST Liability	2.8	1.6	113.3	115.1	116.2	Valuations					
LT Borrowings	1.5	0.0	0.0	0.0	0.0	Core EPS (sen)	1.2	2.6	3.1	4.0	5.2
Other LT Liability	0.6	0.5	0.5	0.5	0.5	DPS (sen)	0.0	0.0	0.8	1.0	1.3
Net Assets	3.1	14.4	28.8	47.8	72.8	BVPS (RM)	0.0	0.0	0.0	0.1	0.1
Shr. Equity	3.1	14.0	28.7	47.8	72.8	PER (x)	51.4	24.1	20.5	15.8	12.0
Mnrt. Interest	0.0	0.4	0.0	0.0	0.0	Div. Yield (%)	0.0	0.0	1.2	1.6	2.1
Total Equity	3.1	14.4	28.8	47.8	72.8	P/BV (x)	130.9	28.6	14.0	8.4	5.5
						EV/EBITDA (x)	37.3	16.5	9.6	7.0	4.8
Cashflow Statement											
FY Mar (RM m)	2021A	2022A	2023F	2024F	2025F						
Operating CF	10.0	17.3	19.9	25.7	33.4						
Investing CF	-2.9	-1.3	-2.0	-2.0	-2.0						
Financing CF	-0.2	-13.8	102.4	-3.4	-5.3						

Source: Kenanga Research

15 March 2023

Malaysian Technology Peers Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Mkt Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) – Core Earnings		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	4.19	3.51	-16.23%	5,186.2	Y	12/2023	10.3	14.0	31.6%	35.5%	40.5	29.9	5.5	14.0%	1.7	0.4%
GHL SYSTEMS BHD	OP	0.900	1.05	16.67%	1,022.1	Y	12/2023	3.0	3.4	21.3%	12.9%	30.0	26.6	1.9	6.5%	0.0	0.0%
INARI AMERTRON BHD	MP	2.39	2.60	8.79%	8,922.0	Y	06/2024	10.2	11.5	-3.2%	12.7%	23.4	20.8	3.5	15.0%	9.7	4.1%
JHM CONSOLIDATION BHD	MP	0.770	0.800	3.90%	464.3	Y	12/2023	5.3	5.9	40.0%	10.6%	14.5	13.1	1.3	9.8%	0.5	0.6%
KELINGTON GROUP BHD	OP	1.41	1.92	36.17%	910.1	Y	12/2023	8.7	9.0	1.1%	3.2%	16.2	15.7	3.2	21.3%	2.4	1.7%
KESM INDUSTRIES BHD	MP	7.54	8.26	9.55%	324.0	Y	07/2023	2.8	8.6	500.0%	208.3%	270.5	88.6	0.9	0.3%	7.5	1.0%
LGMS BHD	OP	1.17	1.50	28.21%	534.4	Y	12/2023	3.5	5.9	26.2%	69.8%	33.6	19.8	5.4	17.4%	0.0	0.0%
MALAYSIAN PACIFIC INDUSTRIES BHD	UP	28.48	20.00	-29.78%	5,978.2	Y	06/2024	81.1	130.6	-51.0%	61.0%	35.1	21.8	2.7	7.9%	35.0	1.2%
NATIONGATE HOLDINGS BHD	OP	1.37	1.50	9.49%	2,841.3	Y	12/2023	5.5	6.5	32.2%	18.6%	25.1	21.2	8.3	39.6%	0.0	0.0%
OPPSTAR BHD	OP	0.630	1.30	106.35%	400.8	Y	03/2023	3.1	4.0	18.1%	29.6%	20.5	15.8	13.9	90.7%	0.8	1.3%
P.I.E. INDUSTRIAL BHD	OP	3.44	4.05	17.73%	1,321.4	Y	12/2023	22.5	25.3	22.0%	12.5%	15.3	13.6	2.1	14.6%	7.0	2.0%
SKP RESOURCES BHD	UP	1.30	1.20	-7.69%	2,032.0	Y	03/2024	9.7	7.9	-11.1%	-17.9%	13.4	16.5	2.3	17.8%	4.8	3.7%
UNISEM (M) BHD	MP	3.00	3.10	3.33%	4,839.1	Y	12/2023	15.4	17.2	2.1%	11.4%	19.5	17.5	1.9	10.0%	6.0	2.0%
Simple Average										-6.4%	17.8%	24.4	20.7	4.1	20.4%		1.4%

Source: Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★		
	Corporate Social Responsibility	★	★	★		
	Management/Workforce Diversity	★	★	★		
	Accessibility & Transparency	★	★	★		
	Corruption-Free Pledge	★	★	★		
	Carbon-Neutral Initiatives	★	★	★		
SPECIFIC	Occupational Health & Safety	★	★	★	★	
	Protection of Customer Data	★	★	★	★	
	Cybersecurity	★	★	★	☆	
	Energy Efficiency	★	★	★		
	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.**

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