



# CNERGENZ Berhad

## “Well-Positioned to Benefit from a Recovery in the Manufacturing Sector ”

ACE Market

Technology

SUBSCRIBE

IPO Price: RM0.58

Fair Value: RM0.69

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### Valuation / Recommendation

We have a SUBSCRIBE recommendation with a fair value of RM0.69 per share for CNERGENZ, an electronics manufacturing solutions provider specializing in surface mount technology (SMT) manufacturing solutions. Our fair value represents a potential upside of 19.0% from the IPO price of RM0.58. Our fair value is derived from a forward PE of 16.8x (which represents a 25% discount to peers Greatech’s and Genetec’s average forward PE of 22.4x based on consensus EPS estimates taken from Bloomberg) of our FY22 EPS estimate of 4.1 sen. We think that a forward PE of 16.8x is fair for CNERGENZ as it is in an industry with healthy growth prospects and has a strong net cash position post listing.

### Investment Highlights

**Long-term relationships with customers.** CNERGENZ has maintained relationships of over 17 years with 3 of its top 5 EMS customers. By establishing long-term relationships with its customers, which includes MNCs, the Group is well-positioned to grow with its customers.

**CNERGENZ serves an industry with healthy growth prospects.** According to Providence Strategic Partners, the industry size for SMT manufacturing solutions in Malaysia, Vietnam and Thailand are forecast to grow at a compounded annual growth rate of 7.2%, 8.0%, and 8.0% respectively, between 2022 and 2024. Smart factory solutions, which CNERGENZ provides, may grow at an even faster rate as we expect manufacturers to move towards greater automation to enhance efficiency and reduce dependency on labour.

**Extensive network of 54 suppliers of machinery, equipment and tools.** CNERGENZ is able to leverage its extensive network of suppliers, including reputable names such as ASM, ITW EAE, and Koh Young, to offer solutions that better fit its customers’ requirements.

**Experienced management team.** CNERGENZ is led by its Chief Executive Officer Lye Yhin Choy and its Chief Operating Officer Kong Chia Liang who each have over 26 years of experience in SMT manufacturing solutions.

**Risk factors.** A recession or slowdown in economic growth could negatively impact CNERGENZ’s financial performance. The loss of a major customer or supplier could also negatively impact CNERGENZ’s financial performance.

INVESTMENT STATISTICS (FY Dec)	FY19A	FY20A	FY21	FY22F	FY23F
Revenue (RM m)	256.0	132.8	153.0	220.0	270.0
EBIT (RM m)	38.9	20.7	17.9	26.0	33.5
EBITDA (RM m)	39.4	21.3	18.4	26.9	34.5
EBITDA Margin (%)	15.4	16.0	12.0	12.2	12.8
Net Profit (RM m)	30.5	16.1	13.1	20.3	27.1
EPS (Sen) <sup>1</sup>	6.1	3.2	2.6	4.1	5.5
EPS Growth (%)	31.2	(47.4)	(18.8)	55.8	33.4
BV Per Share (RM) <sup>1,2</sup>	-	-	0.25	0.29	0.35
PE (x)	-	-	22.1	14.2	10.6
Net Gearing/(Net Cash) <sup>2,3</sup>	(0.7)	(0.7)	(0.9)	(0.8)	(0.8)
ROA (%) <sup>2</sup>	26.1	15.0	7.1	10.0	11.7
ROE (%) <sup>2</sup>	39.1	24.3	10.4	13.9	15.6

Sources: Mercury Securities, Company

<sup>1</sup>Figures based on post listing number of shares of 498.0m

<sup>2</sup>FY21 shareholder’s equity and total assets are based on pro forma figures after public issue

<sup>3</sup>Net gearing is calculated as follows: (hire purchase payables – cash and equivalents)/shareholder’s equity

### Business Overview

Cnergenz is an electronics manufacturing solutions provider specializing in surface mount technology (SMT) manufacturing solutions. The Group provides end-to-end design, development & commissioning of production line systems. Cnergenz is also involved in the sale and customisation of SMT machinery, equipment and tools.

Additionally, the Group also provides smart factory solutions that integrate and connect the processes within the facility, including the remote management and monitoring of production processes, and management of materials and finished products. Cnergenz has a presence in Malaysia, Vietnam and Thailand.

### Listing Details

Listing Date	24 May 2022
New Shares (m)	100.0
Offer For Sale (m)	50.0
Funds Raised (Rm m)	58.0

### Post Listing

Ordinary shares (m)	498.0
Market Capitalization (RM m)	288.8
Free Float (%)	30.1
P/E (FY21)	22.1

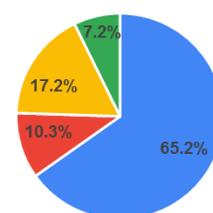
### Major Shareholders

	%
Lye Yhin Choy	44.5
Kong Chia Liang	23.4
Lye Thim Loong	2.0

### Utilization of IPO Proceeds

	RM m
Expansion of Facility (within 24 months)	37.8
R&D Expenditure (within 24 months)	6.0
Working Capital (within 12 months)	10.0
Estimated Listing Expenses (within 3 months)	4.2

Utilization of IPO Proceeds



Expansion of Facility R&D Expenditure Working Capital Estimated Listing Expenses

Sources: Company, Mercury Securities

## IPO Details

	Public Issue (m)	Offer for Sale (m)	Total (m)	(%)
Private Placement	52.75		52.75	35.2
MITI Placement	12.25	50.00	62.25	41.5
Malaysian Public	25.00		25.00	16.7
Pink Form	10.00		10.00	6.7
<b>Total</b>	<b>100.00</b>	<b>50.00</b>	<b>150.00</b>	<b>100.0</b>

Source: Company

## Peer Comparison

Company	Share Price	Market Cap	EPS (sen)		Forward PE (x)		EPS Growth (%)	
	(RM)	(RM m)	FY22F	FY23F	FY22F	FY23F	FY22	FY23
CNERGENZ	0.58	288.8	4.1	5.5	14.2	10.6	55.8	33.4
Greatech Technology <sup>1</sup>	3.90	4,883.3	14.9	18.5	26.2	21.1	31.6	24.2
Genetec Technology <sup>1,2</sup>	2.14	1,459.4	11.5	13.0	18.6	16.5	43.8	13.0

Sources: Bloomberg, Mercury Securities

<sup>1</sup>Forecast EPS figures for Greatech and Genetec are consensus EPS estimates taken from Bloomberg

<sup>2</sup>Genetec's forecast EPS and forward PE are for FY23 and FY24 instead of FY22 and FY23

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<b>SELL</b>	Stock's total return is expected to be -10% or worse over the next 12 months (including dividend yield)

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