



# SFP Tech Holdings Berhad

## “IPO Note – Equipped for a better future”

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IPO Price: RM0.30  
Fair Value: RM0.56**

### Valuation / Recommendation

We have a SUBSCRIBE recommendation on SFP Tech Holdings Berhad with a target price of RM0.51 based on FY23F EPS of 3.7 sen and peers average PE of 15.2x.

We like the stock for its attractive growth prospect, and cheap valuations on the back of a growing engineering supporting industry (ESI) in Malaysia, expected to grow at a 5-year CAGR of 8.9% from 2022 to 2026 as forecasted by Protege. The target price represents a potential return of 86.6% over the IPO price.

### Investment Insights

**Attractive expansion plans.** The company plans to diversify its revenue stream by venturing into the semiconductor back-end inspection industry by manufacturing inspection equipment handler platforms equipped with electronics system and camera imaging. Designing and manufacturing of the generic machine frame is expected to begin in 1Q23.

SFP also plans to expand its production capacity via the construction of manufacturing plant 3, which would expand its floor space from 147k sq ft to approximately 467k sq ft. The new plant which is expected to be completed by the end of 2Q22 would enable SFP to take on additional business opportunities and qualify for potential new customers.

The company intends to purchase 1 new laser tube cutting machine and 41 new CNC 5-axis machines over the next 3 years. The new machines are expected to increase SFP’s maximum manufacturing production hour capacity by approximately 25.3%.

**Strong order book and integration capabilities.** With the inclusion of the automated equipment solutions business segment via the acquisition of EEASB in 2021, this enables the company to provide a wider range of services, and to cross-sell both automated equipment solutions and engineering supporting services to potential and existing customers in the engineering supporting industry (ESI). The company also have a strong order book of RM20m, whereby RM16.92m is from the engineering supporting services segment and RM3.27m is from the automated equipment solutions segment.

**Experienced management team.** The company has an experienced management team spearheaded by MD Mr Keoh Beng Huat who has more than 38 years of experience in the engineering supporting services industry.

**Risk factors.** (1) Fluctuation of raw material prices. (2) Skilled labour shortages.

INVESTMENT STATISTICS	FY20	FY21	FY22F	FY23F	FY24F
Revenue (RM m)	41.1	50.4	60.2	72.2	87.3
EBITDA	24.1	27.5	34.6	40.4	47.6
EBITDA Margin (%)	58.6	54.5	57.5	56.0	54.5
PAT	17.6	19.4	24.2	29.4	35.4
EPS (sen)	2.2	2.4	3.0	3.7	4.4
EPS Growth (%)	70.0	10.1	24.4	21.5	20.4
BV Per Share (sen)	6.9	9.3	20.1	23.8	28.2
PE (x)	13.6	12.4	9.9	8.2	6.8
Net gearing/ (net cash) (%)	Net	Net	Net	Net	Net
	Debt	Debt	Cash	Cash	Cash
ROA (%)	19.3	14.6	12.0	12.3	12.1
ROE (%)	32.0	26.1	15.0	15.4	15.7

Sources: Company, Mercury Securities

### Business Overview

SFP Tech Holdings Berhad is an engineering supporting service provider of sheet metal fabrication, CNC machining, mechanical assembly, and automation equipment solutions.

### Listing Details

Listing Date	20 June 22
New Shares (m)	207.4
Offer For Sale (m)	-
Funds Raised (Rm m)	62.2

### Post Listing

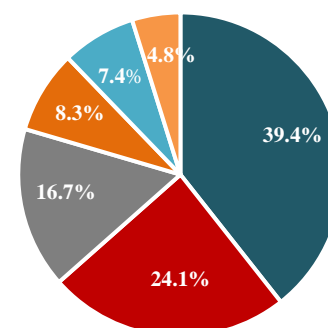
Ordinary shares (m)	800.0
Market Cap (RM m)	240.0
Free Float	25.9%
P/E (FY21)	12.4x

### Major Shareholders

Keoh Beng Huat	68.85%
Chang Chee Jia	0.21%

### Utilization of IPO Proceeds (RM m)

Purchase of machineries and equipment (Within 36 months)	24.5
Construction of manufacturing plant 3 (within 24 months)	15.0
Borrowings repayment (within 12 months)	10.0
Working capital (within 12 months)	5.1
Listing expenses (3 month)	4.6
D&D centre (within 12 months)	3.0



- Purchase of machineries and equipment
- Construction of manufacturing plant 3
- Borrowings repayment
- Working capital
- Listing expenses
- D&D centre

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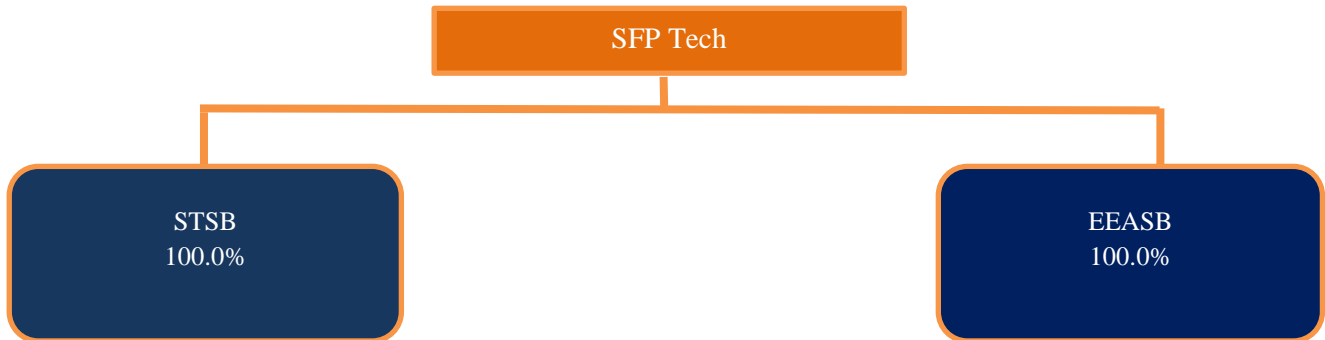


## IPO Details

		Offer for sale (m)	Public issue (m)	Total (m)	(%)
(i)	Malaysian Public via Balloting	-	40.0	40.0	5.0%
(ii)	Eligible Directors and employees as well as persons who have contributed to the success of the Group	-	24.0	24.0	3.0%
(iii)	Private placement to Bumiputera investors approved by MITI	-	100.0	100.0	12.5%
(iv)	Private placement to selected investors	-	43.4	43.4	5.4%
	<b>Total</b>	-	207.4	207.4	25.9%

Source: Company

## Group structure post listing



Source: Company

## Peers

Company	Bloomberg Ticker	Share Price (RM)	Market Cap (RM'm)	PE (x)		EPS (sen)		EPS Growth		P/BV (x)	
				FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
Kobay	KOBAY MK	3.31	1,073.0	20.7	13.8	16.0	24.0	-38.5%	50.0%	4.4	3.6
Coraza	CORAZA MK	0.63	269.9	17.0	14.3	3.7	4.4	-2.4%	18.9%	6.4	6.4
QES	QES MK	0.58	483.8	21.5	17.6	2.7	3.3	17.4%	22.2%	3.4	3.4
Average				19.7	15.2						

Sources: Mercury Securities, Bloomberg

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