



YX Precious Metals Bhd

“IPO Note – Unique Value Proposition”

Ace Market
Industrial Products
Subscribe
IPO Price: RM0.28
Fair Value: RM0.34

Valuation / Recommendation

We have a SUBSCRIBE recommendation on YX Precious Metals Bhd with a target price of RM0.34 based on FY23F EPS of 2.4 sen and a PE of 14.3x which is a 40% discount to the industrial sector 5-year average PE. We like the stock for its attractive expansion plans, and cheap valuations. The target price represents a potential return of 21.4% over the IPO price.

Investment Insights

One-stop supply centre for gold jewellery. The company has more than 12,000 stock keeping units (SKUs), better positioned to meet varying customer demands. YXG also offers customers the option to purchase gold jewellery in small quantities with a mix of different designs, offering convenience for small retailers. This enables the company to cultivate customer loyalty, retain an established customer base and attract new customers. As of 2021, the company managed to secure a market share of 6.1% and 1.8% from the jewellery wholesale and manufacturing industry in Malaysia.

Upgrading and expansion of facilities. The company intends to purchase 2 robotic arms, 2 industrial wax 3D printers, 1 chain cutting machine, and 1 5-axis CNC cutting machine over the next 24 months. The additional machinery and equipment will improve the company’s production efficiency, reduce wastage of materials, and reduce production time.

The company also plans to expand the range of in-house design and manufacturing of hollow gold jewellery. With the new equipment and machinery, this enables YXPM to better serve customers demands, mainly jewellery retailers who intend to target a wider cross section end-consumer.

Diversified market reach and strong customer base. The company has approximately 315 customers as of FYE 2021, spanning across markets in Malaysia, and export markets such as Singapore, Germany, Myanmar, and Hong Kong. In FYE 2021, approximately 98.0% or 310 customers are resellers, 2% or 5 customers are jewellery manufacturers, and 79% or 250 customers have a long-standing relationship with YXPM for more than 6 years.

Experienced management team. The company has an experienced management team spearheaded by MD Ng Sheau Chyn who has more than 30 years of experience in the jewellery industry.

Risk factors. (1) Fluctuation in global gold prices.

INVESTMENT STATISTICS	FY20	FY21	FY22F	FY23F	FY24F
Revenue (RM m)	175.6	265.4	278.7	289.8	298.5
EBITDA	14.1	10.6	10.2	11.2	11.8
EBITDA Margin (%)	8.0	4.0	3.6	3.9	4.0
PAT	9.4	7.1	9.4	10.5	11.3
EPS (sen)	2.5	1.9	2.1	2.4	2.6
EPS Growth (%)	92.4	-24.2	11.9	12.6	7.0
BV Per Share (sen)	14.0	15.9	24.4	26.8	30.7
PE (x)	11.1	14.7	13.1	11.6	10.9
Net gearing/ (net cash) (%)	Net	Net	Net	Net	Net
	Debt	Debt	Cash	Cash	Cash
ROA (%)	12.6	8.9	7.0	7.8	7.6
ROE (%)	18.0	12.0	8.8	9.0	8.4

Sources: Company, Mercury Securities

Business Overview

YXPM is involved in wholesaling, design, and manufacturing of gold jewellery. The company also offers other related products and services including sale of scrap and pure gold bars, manufacture of silver chains, and provision of refining services for precious metals.

Listing Details

Listing Date	23 June 22
New Shares (m)	111.6
Offer For Sale (m)	-
Funds Raised (Rm m)	31.3

Post Listing

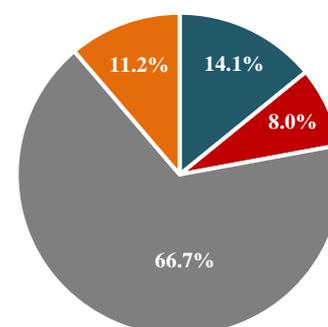
Ordinary shares (m)	372.2
Market Cap (RM m)	104.2
Free Float	30.0%
P/E (FY21)	14.7x

Major Shareholders

Tomei	70.00%
TFC	2.28%
TBSB	0.71%

Utilization of IPO Proceeds (RM m)

Purchase of machineries and equipment (Within 24 months)	4.4
Expansion and upgrading of operational facilities (within 24 months)	2.5
Working capital (within 12 months)	20.9
Listing expenses (3 month)	3.5



- Purchase of machineries and equipment
- Expansion and upgrading of operational facilities
- Working capital
- Listing expenses

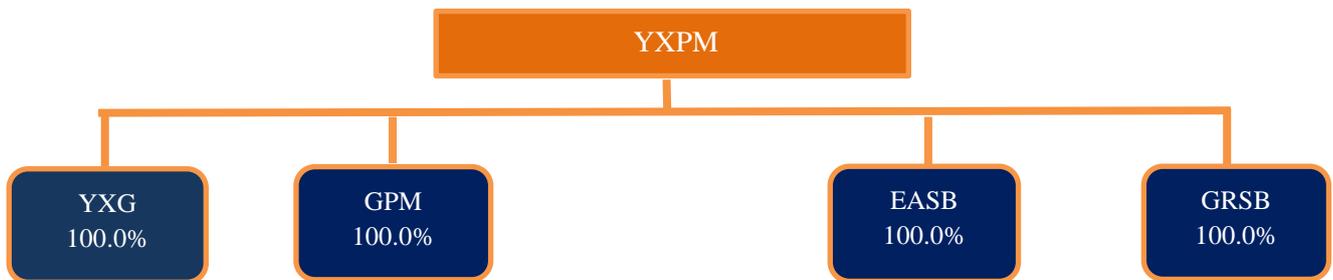


IPO Details

	Offer for sale (m)	Public issue (m)	Total (m)	(%)
(i) Malaysian Public via Balloting	-	18.6	18.6	5.0%
(ii) Eligible Directors and employees as well as persons who have contributed to the success of the Group	-	11.2	11.2	3.0%
(iii) Private placement to Bumiputera investors approved by MITI	-	46.5	46.5	12.5%
(iv) Private placement to selected investors	-	16.8	16.8	4.5%
(v) Entitled Shareholders of Tomei	-	18.6	18.6	5.0%
Total	-	111.6	111.6	30.0%

Source: Company

Group structure post listing



Source: Company

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