



Orgabio Holdings Berhad

“One-stop solution provider for instant premix beverages”

Ace Market
Consumer Products
Subscribe
IPO Price: RM0.31
Fair Value: RM0.38

Valuation / Recommendation

We have a SUBSCRIBE recommendation on Orgabio Holdings Bhd with a target price of RM0.38 based on FY23F EPS of 3.5 sen and a PE of 10.9x which is a 30% discount to the peer’s average.

We like the stock for its attractive expansion plans, solid track record on the back of a growing manufacturing sales value of coffee, tea, milk, and cocoa beverages in Malaysia, which increases from RM13.83bln to RM16.05bln, at a 7.73% CAGR from 2018 to 2020.

Investment Insights

One-stop solution provider backed by a strong track record. The company provides a full customization option for the formulation of instant beverage premixes for its customers and is also the third-largest instant beverage premix manufacturer (for third-party brand owners) in Malaysia. The company has a strong track record in the industry with its notable customers, with business relationships spanning up to 16 years. The company generated approximately RM48.4m revenue from their top customers, representing 81.98% of the total revenue in FY21.

Attractive expansion growth plan. The company plans to construct a new factory in Semenyih by August 2023 and purchase new machinery that will reduce reliance on manual labour and increase manufacturing capacity. This is expected to improve efficiency and grow its customer base in the direct selling segment and support their expansion of export sales. The direct selling segment currently contributes 80.6% of the Group’s total sales in FY2021. While export sales contribute 21.9% of the Group’s revenue in 1HFY22. Their diversified reach for export markets includes countries such as Singapore, China, UAE, Japan, Russia, Taiwan, and Hong Kong.

Bright future for instant beverage premix industry. The company saw a 24.3% and 50.0% YoY revenue growth in FY20 and FY21 respectively. The key driver for growth is largely attributed to the growing need for convenience in the Malaysian market and the government’s initiative to promote Halal manufacturing products. Internationally, Malaysia is one of the world’s top 5 exporters of coffee extracts representing 7.49% of global exports in 2020. The company expects the global demand for coffee premixes to grow in the future.

Experienced management team. The company has an experienced management team led by Executive Deputy Chairman Dato’ Ean Yong Tin Sin who has 29 years of experience in the instant beverage premix industry.

Risk factors. (1) Fluctuation in raw material prices, (2) Fluctuation of foreign exchange currencies, (3) Economic recession may impact operational performance.

INVESTMENT STATISTICS	FY20	FY21	FY22F	FY23F	FY24F
Revenue (RM m)	39.4	59.1	69.6	76.6	84.3
EBITDA	10.0	13.3	13.7	14.9	16.6
EBITDA Margin (%)	25.3	22.6	21.1	20.8	21.1
PAT	5.6	7.6	8.6	9.6	10.9
EPS (sen)	2.3	3.1	3.5	3.9	4.4
EPS Growth (%)	-2.9	35.6	13.0	11.1	13.7
BV Per Share (sen)	6.1	8.4	23.9	27.8	32.2
PE (x)	13.6	10.1	8.9	8.0	7.0
Net gearing/ (net cash) (%)	Net	Net	Net	Net	Net
	Debt	Debt	Debt	Cash	Cash
ROA (%)	13.6	17.9	10.7	10.3	10.1
ROE (%)	37.2	36.8	14.5	13.9	13.7

Sources: Company, Mercury Securities

Business Overview

Orgabio Holdings Berhad is an investment holding company, while its subsidiaries are principally involved in the provision of instant beverage premix manufacturing services to third party brand owners and manufacturing, sales, and marketing of house brand instant beverage premixes.

Listing Details

Listing Date	5 July 22
New Shares (m)	96.7
Offer For Sale (m)	-
Funds Raised (Rm m)	29.9

Post Listing

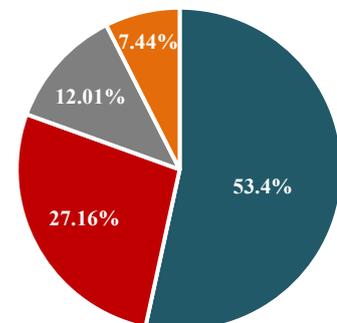
Ordinary shares (m)	247.9
Market Cap (RM m)	76.8
Free Float	39.0%
P/E (FY21)	10.1x

Major Shareholders

Dato’ Ean Yong Tin Sin	31.0%
Datin Lai You Mooi	20.0%
Ean Yong Hien Voon	16.0%

Utilization of IPO Proceeds (RM m)

Construction of New Factory	16
Working Capital	8.14
Estimated Listing Expenses	3.6
Acquisition of Machinery	2.23



- Construction of New Factory
- Working Capital
- Estimated Listing Expenses
- Acquisition of Machinery

Research Team Coverage

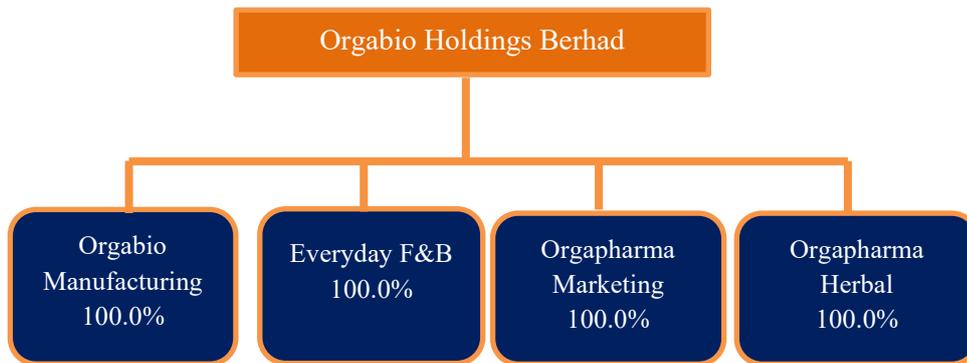


IPO Details

	Public issue (m)	Total (m)	(%)
(i) Malaysian Public via Balloting (Bumiputera & Non-Bumiputera)	12.4	12.4	5.0%
(ii) Eligible Directors and employees as well as persons who have contributed to the success of the Group	6.2	6.2	2.5%
(iii) Private placement to Bumiputera investors approved by MITI and selected investors	78.1	78.1	31.5 %
Total	96.7	96.7	39.0%

Source: Company

Group structure post listing



Source: Company

Peer Comparison (Food & Beverages)

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
Guan Chong Power	GUAN MK	2.50	2,649.5	13.2	11.4	19.0	22.0	26.7%	15.8%	1.8	1.6
Root Average	PWRT MK	1.67	659.6	26.9	19.9	6.2	8.4	-11.4%	35.5%	2.0	4.1
				20.0	15.6						

Sources : Bloomberg, Mercury Securities

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

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Registration No. 198401000672 **(113193-W)**

L-7-2, No 2, Jalan Solaris, Solaris Mont' Kiara, 50480 Kuala Lumpur

Telephone: (603) - 6203 7227 Website: www.mercurysecurities.com.my

Email: mercurykl@mersec.com.my