



# Umedic Group Berhad

## “IPO Note – The expert care you want”

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**IPO Price: RM0.32**

**Fair Value: RM0.48**

### Valuation / Recommendation

We have a SUBSCRIBE recommendation on Umedic Group Berhad with a target price of RM0.48 based on FY23F EPS of 2.5 sen and a PE of 19.2x which is a 20% discount to the health care industry’s 2-year average PE.

We like the stock for its attractive growth prospect, and proven track record on the back of a growing medical device industry in Malaysia, forecasted by Protege to grow at a 5-year CAGR of 14.0% from 2021 to 2026. The target price represents a potential return of 50.0% over the IPO price.

### Investment Insights

**Proven track record.** Umedic has a proven track with approximately 20 years of cumulated market presence in the medical devices industry. The company has a wide marketing and distribution network, having sales representatives across all states in Malaysia to provide after sales service and better serve its customers who are non-medical business entities, public and private hospitals, and other healthcare service providers.

With the leadership of its CEO Lim Taw Seong who has more than 20 years of experience in the medical device industry, the company was able to achieve a 2-year revenue CAGR of 20.1% from FYE2019 to FYE2021. Going forward, we think that additional growth could be potentially supported by the sale of automated external defibrillators (AED), in line with the requirement by the Ministry of Health (MOH) that every government building and public facilities in Malaysia will need to install an AED by 2025.

**New factory for potential new products in the future.** The company plans to expand its premises by building a 35k sq ft single storey production floor and a storage area, expected to complete within 30 months post-listing. The new factory building will have approximately 30k sq ft of production floor space which can house up to 2 production lines, and a 5k sq ft additional storage area. With the new factory, the company will be able to produce new products that may be developed in the future.

**Commercialisation and development of new products.** The company plans to expand its manufacturing segment and develop and commercialise new products for the next 2 years such as the sterile water for inhalation, digital oxygen flowmeters, prefilled nebulisers, and humidifier humidity sensors which will be cross marketed to existing clients and complement its list of own brand product offerings.

**Risk factors.** (1) Changes in medical device technology which are constantly developing and evolving. (2) Fluctuation in foreign exchange currencies.

INVESTMENT STATISTICS	FY20	FY21	FY22F	FY23F	FY24F
Revenue (RM m)	23.7	34.1	56.7	63.8	71.9
EBITDA	7.8	13.2	12.4	14.0	15.6
EBITDA Margin (%)	33.0	38.8	21.9	21.9	21.7
PAT	2.4	5.1	8.0	9.4	10.7
EPS (sen)	0.7	1.4	2.1	2.5	2.9
EPS Growth (%)	290.6	109.7	57.1	17.6	13.7
BV Per Share (sen)	1.8	4.2	8.2	19.1	21.9
PE (x)	49.3	23.5	15.0	12.7	11.2
Net gearing/ (net cash) (%)	Net Debt	Net Debt	Net Debt	Net Cash	Net Cash
ROA (%)	8.1	10.2	12.1	9.9	10.1
ROE (%)	36.6	32.3	26.1	13.2	13.1

Sources: Company, Mercury Securities

### Business Overview

Umedic Group Berhad is an investment holding company. Through its subsidiaries, the company is involved in the marketing and distribution of various medical devices and consumables and the provision of after-sales service for all its products. The company is also involved in developing, manufacturing, and marketing of medical consumables.

### Listing Details

Listing Date	26 July 22
New Shares (m)	97.2
Offer For Sale (m)	-
Funds Raised (Rm m)	31.1

### Post Listing

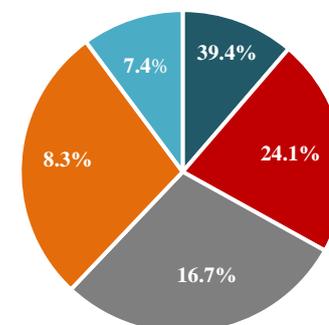
Ordinary shares (m)	373.9
Market Cap (RM m)	119.7
Free Float	26.0%
P/E (FY22F)	15.0x

### Major Shareholders

UmediC Capital	51.44%
Dato’ Ng Chai Eng	5.46%
Lim Taw Seong	5.46%

### Utilization of IPO Proceeds (RM m)

Construction of new factory building (Within 30 months)	3.5
Setting up new marketing and distribution offices (within 36 months)	6.8
Borrowings repayment (within 6 months)	9.0
Working capital (within 36 months)	8.7
Listing expenses (2 month)	3.2



- Construction of new factory building
- Setting up new marketing and distribution offices
- Borrowings repayment
- Working capital
- Listing expenses

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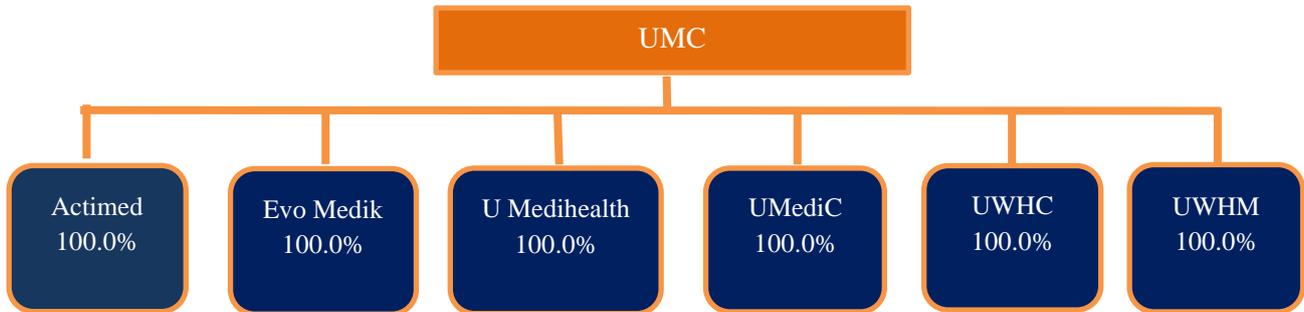


## IPO Details

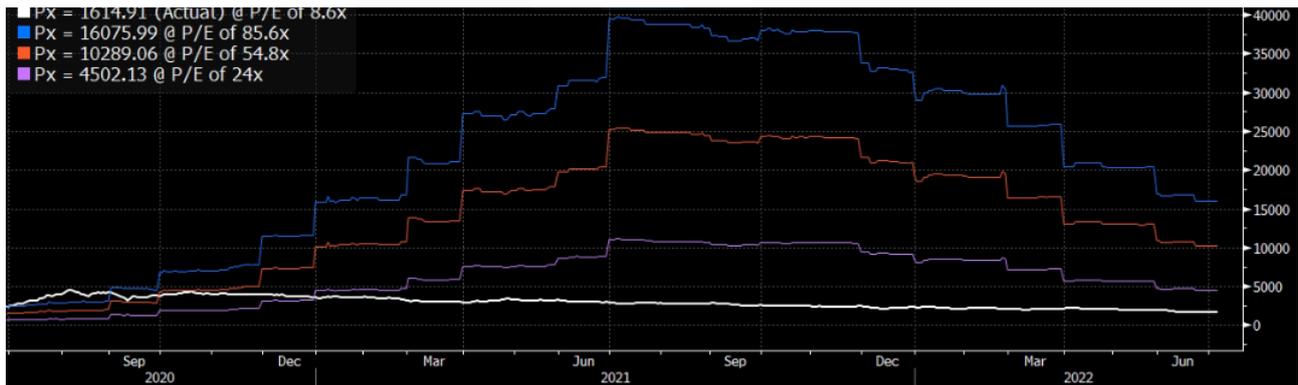
	Offer for sale (m)	Public issue (m)	Total (m)	(%)
(i) Malaysian Public via Balloting	-	18.7	18.7	5.0%
(ii) Eligible Directors and employees as well as persons who have contributed to the success of the Group	-	13.1	13.1	3.5%
(iii) Private placement to Bumiputera investors approved by MITI	-	-	-	-
(iv) Private placement to selected investors	-	65.4	65.4	17.5%
<b>Total</b>	-	97.2	97.2	26.0%

Source: Company

## Group structure post listing



Source: Company



Source: Bloomberg

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