



# ECA Integrated Solution Berhad

## “IPO Note – A specialist in automated manufacturing solutions”

Ace Market

Technology

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IPO Price: RM0.17

Fair Value: RM0.29

### Valuation / Recommendation

We have a SUBSCRIBE recommendation on ECA Integrated Solution Berhad with a target price of RM0.29 based on FY23F EPS of 1.5 sen and peers average PE of 19.6x.

We like the stock for its strong technical know-how, and attractive growth prospects on the back of a growing automated manufacturing solutions industry in Malaysia, expected to grow at a 2-year CAGR of 19.3% from 2022 to 2024 as forecasted by Providence. The target price represents a potential return of 70.6% over the IPO price.

### Investment Insights

**An experienced solution provider with a diversified customer base.** ECA is an automated manufacturing solutions provider, capable of designing and customising production systems to meet its customers’ operational requirements in terms of production capacities and product specifications. By leveraging on its high technical know-how, the company is able to design, develop and commission various forms of integrated production systems to meet various manufacturing needs and requirements, serving various industries which includes the semiconductor, automotive, solar, telecommunication, and digital display tags industry.

The company’s solutions are designed and developed after establishing an in-depth understanding of its customers’ requirements which involves the collaboration with both parties on product conceptualisation and design process, quality assurance, and technical and operational requirements. The company also provides after sales technical support and spare parts replacement services to customers for maintenance or system reconfiguration purposes, which contributes 5.5% to total revenue of FPE 2022. As at LPD, the company has a RM14.7m unbilled purchase orders where approximately RM5.7m and RM9.0m is expected to be fully recognised by FY22 and FY23.

**Output expansion.** The company plans to utilise RM7.7m from its IPO proceeds within 24 months to expand its output and enhance its capability via acquisition of new machineries. The new machineries comprise of 2 gantry machining centre, 2 CNC vertical machine and 4 mill tap centre. Acquisition of new machineries will enable ECA to increase the customisability of its solutions to suit different needs of customers, handle larger volume of fabrication works, and achieve better accuracy and productivity in its development and design. The company also plans to expand into smart factory solutions going forward as manufacturers shift towards full automation under industry 4.0.

**Experienced management team.** The company is spearheaded by CEO Ooi Chin Siew who has more than 30 years of experience in the machine design and engineering related field. With the leadership of Mr Ooi, the company was able to achieve a PAT 2-year CAGR of 144.4% from FY19 to FY21.

**Risk factors.** (1) Customer concentration risk. (2) Skilled labour shortages.

INVESTMENT STATISTICS	FY20	FY21	FY22F	FY23F	FY24F
Revenue (RM m)	15.4	20.5	26.7	30.7	35.3
EBITDA	5.6	8.5	7.6	9.0	10.5
EBITDA Margin (%)	36.4	41.7	28.4	29.2	29.6
PAT	5.6	8.2	7.3	8.7	10.2
EPS (sen)	1.0	1.4	1.3	1.5	1.8
BV Per Share (sen)	1.5	3.0	4.0	11.0	12.4
PE (x)	17.6	12.0	13.5	11.3	9.6
Net gearing/ (net cash)	Net Debt	Net Debt	Net Debt	Net Debt	Net Debt
ROA (%)	31.9	31.2	21.1	11.8	12.5
ROE (%)	62.8	48.0	31.9	13.7	14.3

Sources: Company, Mercury Securities

### Business Overview

ECA Integrated Solution Berhad is an investment holding company. Through its sole subsidiary, ECA Solutions, the company provides automated manufacturing solutions and are principally engaged in the provision of integrated production systems and standalone automated equipment.

### Listing Details

Listing Date	23 Nov 22
New Shares (m)	150.0
Offer For Sale (m)	48.0
Funds Raised (Rm m)	25.5

### Post Listing

Ordinary shares (m)	577.5
Market Cap (RM m)	98.2
Free Float	34.3%
P/E (FY21)	12.0x

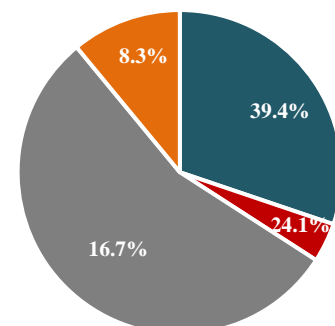
### Major Shareholders

Mr Chua	27.8%
Mr Ooi	24.3%
Mr Kang	13.6%

### Utilization of IPO Proceeds

(RM m)

Acquisition of machineries (Within 24 months)	7.7
Repayment of bank borrowings (within 6 months)	1.0
Working capital (within 24 months)	14.0
Listing expenses (3 month)	2.8



- Acquisition of machineries
- Repayment of bank borrowings
- Working capital
- Listing expenses

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## IPO Details

	Offer for sale (m)	Public issue (m)	Total (m)	(%)
(i) Malaysian Public via Balloting	-	28.9	28.9	5.0%
(ii) Eligible Directors and employees as well as persons who have contributed to the success of the Group	-	14.4	14.4	2.5%
(iii) Private placement to selected investors	48.0	106.7	154.7	26.8%
<b>Total</b>	48.0	150.0	198.0	34.3%

Source: Company

## Group structure post listing



Source: Company

## Peers

Company	Bloomberg Ticker	Share Price (MYR)	Market Cap (MYR'm)	PE (x)		EPS (sen)		EPS Growth		P/BV (x)	
				FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
Cnergiz	CNERGEN MK	0.85	420.8	25.5	22.2	3.3	3.8	37.5%	15.2%	3.1	2.9
Genetec	GENE MK	2.13	1,444.3	21.3	15.2	8.3	14.0	36.6%	68.7%	N/A	6.4
Greatch	GREATEC MK	3.3	4,146.9	37.4	21.2	10.5	15.6	-6.4%	48.1%	7.4	5.6
Average				28.1	19.6						

Sources: Mercury Securities, Bloomberg

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Published and printed by:

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