



# Cnergenz Berhad

“Attractive prospects ahead”

Bloomberg: CNERGEN MK | Stock Code: 0246

Ace Board

Technology

BUY

TP: RM1.15

Last Closing Price: RM0.81

Initiated Price: RM0.47

## Valuation / Recommendation

Results were above expectations, achieving 92.1% and 94.0% of our full year revenue and profit forecasts for FY22 respectively, however results were weaker qoq. The lower revenue (-17.9% qoq) and lower profit (-23.7% qoq) was due to lower sales of provision of integrated solution for SMT manufacturing line and sales of standalone SMT machines, contributing 51.62% and 44.30% to revenue.

We revise our revenue and profit forecasts upward by 17.0 – 18.0% and 19.3 – 23.2% on the back of stronger growth on its SMT equipment and provision of integrated solutions for SMT manufacturing line segments. We maintain a BUY recommendation on Cnergenz with a revised TP of RM1.15 based on FY23F EPS 5.5 sen and peers average PE of 20.9x. We like the stock for its attractive expansion plans, well positioned to leverage on the growing SMT manufacturing solution industry in Southeast Asia which is forecasted by Providence to grow at a 2-year CAGR of 8% from 2022 to 2024.

## Investment Highlights

**Capacity expansion.** Cnergenz is currently operating from its 22.8k sq ft existing facility in Bukit Tengah, Penang. An announcement on the 17<sup>th</sup> of August 2022 was made on a proposed acquisition of a piece of industrial land at Penang Science Park North for a total purchase price of approximately RM3.02m. The company plans to scale up its operations via the construction of a new 3-storey plant with a built-up area of 130k sq ft, which is approximately 6x larger than its existing production floor space, expected to complete within 4QFY23. Approximately RM37.8m worth of capex will be allocated for this plant, funded via IPO proceeds.

Approximately 66k sq ft of floor space will be allocated for workshop and assembly area which will enable Cnergenz to perform modifications, customisations and refurbishment works on machinery and equipment in-house. With the completion of the new plant, we think that Cnergenz is well-positioned to benefit from the growing SMT manufacturing solutions industry in Southeast Asia which is forecasted by Providence to grow at a 2-year CAGR of 8% from 2022 to 2024, and uptake potential demand for the smart factory solutions in the E&S industry.

**Strong purchase order.** The company has a purchase order above RM61.2m as of 30<sup>th</sup> Sept 2022, where RM39.0m is expected to be fully recognised within 2H22, and RM22.1m in 2023.

**Dividends.** Dividend of 0.6 sen per ordinary share was declared, ex 7<sup>th</sup> Dec 2022.

**Risk factor.** (1.) Slower than expected order flows (2.) Shortages of skilled engineers and technicians.

INVESTMENT STATISTICS	FY20	FY21	FY22F	FY23F	FY24F
Revenue (RM m)	132.8	153.0	225.8	248.4	268.3
EBITDA	21.4	18.0	33.4	36.0	39.0
PATMI	16.0	12.7	25.4	27.4	29.7
EPS (sen)	3.2	2.5	5.1	5.5	6.0
EPS Growth (%)	-14.5	-20.6	100.6	7.8	8.3
BV Per Share (sen)	13.3	13.9	27.8	30.5	33.5
PE (x)	22.6	28.5	14.2	13.2	12.2
Dividend Yield (%)	7.5	2.7	3.5	3.8	4.1
Net Gearing (%)	Net	Net	Net	Net	Net
	Cash	Cash	Cash	Cash	Cash
ROA (%)	14.9	9.8	10.5	12.2	10.4
ROE (%)	24.1	18.3	18.4	18.0	17.8

RESULTS (RM m)	3Q22	2Q22	qoq %	3Q21	yoy %
FY Dec					
Revenue	62.8	76.5	-17.9	-	-
COGS	52.0	61.3	-15.2	-	-
Gross Profit	10.8	15.2	-30.0	-	-
Other Income	0.1	-	-	-	-
Selling & Distribution Expenses	-0.4	-0.6	-33.3	-	-
Admin Expenses	-1.4	-2.2	-36.4	-	-
Other losses - net	-0.2	-0.3	-33.3	-	-
Operating Profit	8.9	12.2	-27.1	-	-
Finance Income	0.5	0.1	-	-	-
Finance Costs	-	-	-	-	-
Profit Before Tax	9.4	12.3	-23.6	-	-
Tax Expense	-2.3	-3.0	-23.3	-	-
Net profit	7.1	9.3	-23.7	-	-
Core net profit	7.1	9.3	-23.7	-	-
EPS (sen)	1.6	2.2	-27.3	-	-
Core EPS (sen)	1.6	2.2	-27.3	-	-

## Business Overview

Cnergenz Berhad, through its subsidiaries, provides electronics manufacturing solutions, specialises in surface mount technology (SMT) manufacturing solutions for the electronics and semiconductor industries (E&S industries).

## Stock Return Information

KLCI (pts)	1,449.32
Expected Share Return (%)	41.9
Expected Dividend Yield (%)	3.8
Expected Total Return (%)	45.7

## Price Performance

	1M	3M	12M
Absolute (%)	-2.9	-7.3	-
Relative to Index (%)	-3.8	-2.9	-

## Share Information

Market Cap (RM m)	405.9
Issued Shares (m)	498.0
52W High (RM)	1.15
52W Low (RM)	0.45
Estimated Free Float (%)	29.8
Beta vs FBM KLCI	-
3-month Average Vol. (m)	483.0

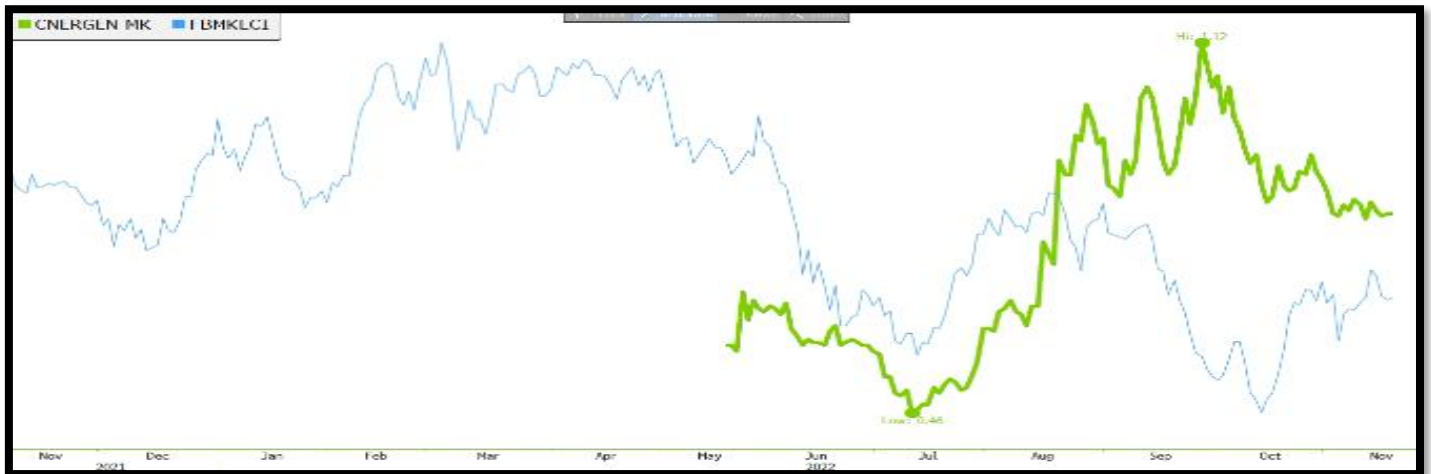
## Top 3 Shareholders (%)

Lye Yhin Choy	44.52
Kong Chia Liang	23.36
Lye Thim Loong	2.03

Sources: Mercury Securities, Company, Bloomberg

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### Peers Comparison

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
Greatech	GREATEC MK	3.73	4,673.1	33.9	23.3	11.0	16.0	15.5%	45.5%	8.3	6.3
Genetec	GENE MK	2.41	1,641.9	30.1	18.5	8.0	13.0	-	62.5%	11.3	7.3
Average				32.0	20.9						

Sources: Mercury Securities, Bloomberg



<b>PROFIT &amp; LOSS (RM m) FY Dec</b>	<b>FY20A</b>	<b>FY21A</b>	<b>FY22F</b>	<b>FY23F</b>	<b>FY24F</b>
Net Revenue	132.8	153.0	225.8	248.4	268.3
Gross Profit	24.2	25.0	43.2	47.3	51.8
Other Operating Income	0.8	0.7	1.1	1.2	1.3
EBIT	21.4	18.0	33.4	36.0	39.0
Administrative Expenses	3.4	6.6	8.5	9.9	11.4
Selling & Distribution Expenses	1.0	1.1	1.6	1.8	1.9
Other Operating Expenses	0.0	0.4	0.0	0.0	0.0
Profit from operations	20.6	17.5	34.3	36.8	39.8
Interest Income	0.7	0.4	0.4	0.4	0.4
Interest Expense	0.0	0.0	0.0	0.0	0.0
<b>Profit Before Tax</b>	<b>21.3</b>	<b>17.9</b>	<b>33.4</b>	<b>36.0</b>	<b>39.0</b>
Exceptional Items	-	-	-	-	-
Taxation	5.4	5.2	8.0	8.7	9.4
Minority Interests	0.0	0.0	0.0	0.0	0.0
<b>Profit After Tax (PATMI)</b>	<b>16.0</b>	<b>12.7</b>	<b>25.4</b>	<b>27.4</b>	<b>29.7</b>
Preferred Dividends / Adjustments	-	-	-	-	-
Recurring Net Profit	16.0	12.7	25.4	27.4	29.7
<b>BALANCE SHEET (RM m) FY Dec</b>	<b>FY20A</b>	<b>FY21A</b>	<b>FY22F</b>	<b>FY23F</b>	<b>FY24F</b>
Cash & Equivalents	45.8	59.0	110.8	105.6	120.5
Trade & Other Receivables	40.0	33.7	62.4	41.1	74.0
Inventories	16.9	19.2	33.3	25.7	39.0
Other Current Assets	1.3	0.6	0.6	0.6	0.6
<b>Current Assets</b>	<b>104.0</b>	<b>112.5</b>	<b>181.1</b>	<b>166.8</b>	<b>202.8</b>
Property, Plant & Equipment	2.4	15.6	33.8	52.0	51.0
Other Non-Current Assets	0.5	0.6	0.5	0.5	0.5
<b>Non-Current Assets</b>	<b>2.8</b>	<b>16.2</b>	<b>34.4</b>	<b>52.5</b>	<b>51.5</b>
Trade & Other Payables	38.8	55.1	100.4	58.9	125.9
Other Current Liabilities	1.3	0.9	2.0	2.0	2.0
<b>Current Liabilities</b>	<b>40.0</b>	<b>56.0</b>	<b>102.4</b>	<b>60.9</b>	<b>127.9</b>
Other Non-Current Liabilities	0.4	1.2	1.5	1.5	1.5
<b>Non-current Liabilities</b>	<b>0.4</b>	<b>1.2</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>
Share Capital	0.0	0.0	122.3	122.3	122.3
Retained Profits	66.1	69.1	81.8	95.5	110.4
Other Equity	0.1	0.2	-65.8	-65.8	-65.8
<b>Total Equity</b>	<b>66.2</b>	<b>69.3</b>	<b>138.4</b>	<b>152.1</b>	<b>166.9</b>
<b>CASH FLOW (RM m) FY Dec</b>	<b>FY20A</b>	<b>FY21A</b>	<b>FY22F</b>	<b>FY23F</b>	<b>FY24F</b>
Net profit for the financial year	16.1	13.1	33.4	36.0	39.0
Depreciation & Amortization	0.5	0.6	0.7	0.8	1.0
Other operating cash flow	0.0	1.3	1.0	1.1	1.2
Tax expense	5.4	5.2	8.0	8.7	9.4
Operating profit/(loss) before working capital	21.3	19.7	43.6	47.0	50.9
Changes before working capital	-2.1	10.1	2.5	-12.6	20.9
Cash generated from/(used in) operations	19.2	29.8	46.0	34.4	71.8
Tax paid	-5.6	-5.6	-8.0	-8.7	-9.4
<b>Cash flow from operations</b>	<b>13.7</b>	<b>24.2</b>	<b>38.0</b>	<b>25.7</b>	<b>62.4</b>
Purchases of PPE	-0.1	-1.3	-18.9	-18.9	0.0
Other investing cash flow	-0.2	-0.1	0.4	0.4	0.4
Interest received	0.7	0.4	0.0	0.0	0.0
<b>Cash flow from investing</b>	<b>0.4</b>	<b>-0.9</b>	<b>-18.5</b>	<b>-18.5</b>	<b>0.4</b>
Dividends paid	-20.0	-7.0	-12.7	-13.7	-14.8
Proceeds from issuance of ordinary shares by the subsidiary	0.0	0.1	0.0	0.0	0.0
Repayment of principal portion of hire purchase liabilities	-0.4	-0.3	-0.3	-0.3	-0.3
<b>Cash flow from financing</b>	<b>-20.4</b>	<b>-7.3</b>	<b>-13.0</b>	<b>-14.0</b>	<b>-15.2</b>

Sources: Mercury Securities, Company

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