



NationGate Holdings Berhad

“IPO Note – Attractive growth prospects”

Ace Market
Industrial Products
Subscribe
IPO Price: RM0.38
Fair Value: RM0.61

Valuation / Recommendation

We have a SUBSCRIBE recommendation on Nationgate Holdings Berhad with a target price of RM0.61 based on FY23F EPS of 3.8 sen and a PE of 16x in line with its peer’s average. We like the stock for its attractive growth prospect well-positioned to leverage on the growing EMS industry which is forecasted by Protégé to grow at a 5-year CAGR of 10.3% from 2022 to 2027. The target price represents a potential return of 60.5% over the IPO price.

Investment Insights

Strong technical capabilities. NationGate is a one-stop EMS centre, capable of providing a wide range of services such as printed circuit board (PCB) assembly, final assembly and value-added services that support its assembly and testing activities such as high precision plastic injection moulding, prototyping for manufacturability, supply chain management and packaging services. The company possesses strong technical capabilities, being able to serve a diverse set of customers from various industries including the telecommunications, data computing, consumer electronics, automotive, industrial instruments, and semiconductor industry.

Its 30 fleet of SMT assembly lines are modular with each line customisable, allowing the company the flexibility to provide manufacturing services based on both high-mix-low-volume and low-mix-high-volume set-ups on both turnkey and consignment basis. The company also invested in a customised ERP system which will improve the efficiency and output of its entire EMS operations, better positioned to respond promptly to customer requests.

Business expansion. The company intends to expand its SMT assembly capacity by purchasing additional machineries and equipment to further expand its SMT assembly lines for the PCBA business, which will enhance the EMS efficiency and output from 1.2 bln to a maximum of 1.3 bln mounting points per month. The purchase of new equipment and machineries will allow the company to cater for more new customers going forward.

Solid order book. The company has an unbilled purchase order of RM369.55m as of 14th November which will provide visibility for the next 12 months.

Experienced management team. The company is headed by MD Ooi Eng Leong who has more than 34 years of combined working experience in the E&E industry and EMS market in Malaysia. Collectively, the management team has an average industry experience of more than 15 years, supported by a long-serving technical team to spearhead the business moving forward. With the leadership of MD Ooi, the company was able to achieve a 2-year revenue CAGR of 32.6% from FY19 to FY21 despite the COVID-19 pandemic.

Risk factors. (1) Failure to secure orders from customers. (2) Raw material shortages arising from supply chain disruptions.

INVESTMENT STATISTICS	FY20	FY21	FY22F	FY23F	FY24F
Revenue (RM m)	566.2	760.9	852.0	979.8	1126.8
EBITDA (RM m)	37.5	69.9	91.6	104.3	119.4
EBITDA Margin (%)	6.6	9.2	10.7	10.6	10.6
PAT (RM m)	30.7	59.5	67.5	79.4	93.4
EPS (sen)	1.5	2.9	3.3	3.8	4.5
EPS Growth (%)	128.0	94.2	13.3	17.8	17.6
BV Per Share (sen)	5.4	7.6	10.8	23.1	27.2
PE (x)	25.7	13.2	11.7	9.9	8.4
Net gearing/ (net cash) (%)	Net	Net	Net	Net	Net
	Debt	Debt	Debt	Debt	Cash
ROA (%)	6.5	9.8	8.9	7.9	8.6
ROE (%)	27.3	37.6	30.1	16.6	16.3

Sources: Company, Mercury Securities

Business Overview

NationGate Holdings Berhad is an investment holding company. Through its subsidiaries, the company is an EMS provider focusing on the assembly and testing of electronic components and products to produce completed PCBs, semi-finished sub-assemblies and fully assembled electronic products and semiconductor devices.

Listing Details

Listing Date	12 Jan 23
New Shares (m)	435.5
Offer For Sale (m)	290.3
Funds Raised (Rm m)	165.5

Post Listing

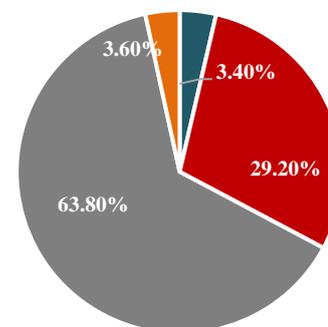
Ordinary shares (m)	2,073.9
Market Cap (RM m)	788.1
Free Float	21.0%
P/E (FY21)	13.2x

Major Shareholders

Ooi Eng Leong	57.80%
Tan Ah Geok	7.20%

Utilization of IPO Proceeds (RM m)

Purchase of machineries and equipment (Within 36 months)	5.93
Working capital (Within 24 months)	48.36
Borrowings repayment (Within 24 months)	105.5
Listing expenses (Within 1 month)	5.7



- Purchase of machineries and equipment
- Working capital
- Borrowings repayment
- Listing expenses

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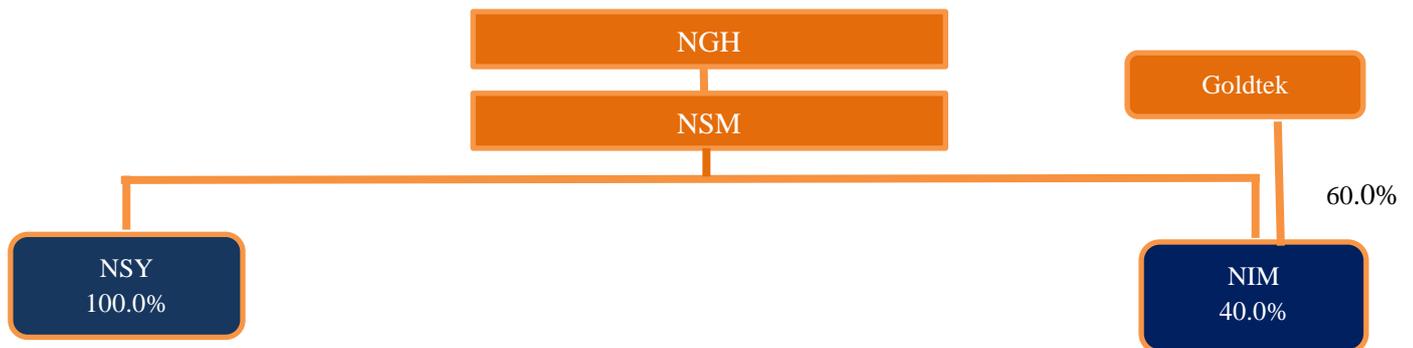


IPO details

	Offer for sale (m)	Public issue (m)	Total (m)	(%)
(i) Malaysian Public via Balloting	-	103.7	103.7	5.0%
(ii) Eligible Directors and employees as well as persons who have contributed to the success of the Group	-	103.7	103.7	5.0%
(iii) Private placement to Bumiputera investors approved by MITI	259.2	-	259.2	12.5%
(iv) Private placement to selected investors	31.1	228.1	259.2	12.5%
Total	290.3	435.5	725.8	35.0%

Source: Company

Group structure post listing



Source: Company

Peers' comparison

Company	Bloomberg Ticker	Share Price (RM)	Market Cap (RM'm)	PE (x)		EPS (sen)		EPS Growth		P/BV (x)	
				FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
Aurelius	ATECH MK	1.90	680.5	20.0	15.8	9.5	12.0	25.5%	26.3%	5.0	4.5
SKP Resources	SKP MK	1.67	2,609.1	15.2	12.8	11.0	13.0	2.7%	18.2%	2.9	2.6
VS Industry	VSI MK	0.93	3,549.8	14.9	13.2	6.2	7.0	41.9%	12.9%	1.5	1.5
PIE Industrial	PIE MK	2.66	1,021.6	14.8	13.3	18.0	20.0	16.3%	11.1%	1.7	1.7
Average				16.2	13.8						

Source: Bloomberg

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