



# Oppstar Berhad

## “IPO Note – Attractive expansion plans”

**Ace Market  
Technology  
Subscribe  
IPO Price: RM0.63  
Fair Value: RM0.93**

### Valuation / Recommendation

We have a SUBSCRIBE recommendation on Oppstar Berhad with a target price of RM0.93 based on FY24F EPS of 4.4 sen and a PE of 21x in line with the 1-year forward of the technology sector. We like the stock for its attractive growth prospect on the back of its geographical and workforce expansion plans. The target price represents a potential return of 48% over the IPO price.

### Investment Insights

**Strong technical capabilities.** Due to the company’s knowledge in FinFET technology, Oppstar is capable of designing ICs fabricated using advanced process node technology. The company also secured projects using 3nm process node technology in 2022.

**Expansion of workforce.** The company plans to increase its workforce by 280 design engineers for IC design and/or engineers/technicians for post-silicon validation services to support demands of its existing and pipeline of customers. The larger workforce will allow the company to be in a stronger position to compete for more orders and contracts and tap into larger potential customers.

**Geographical expansion.** The company is currently operating from its rented offices in Penang, Kuala Lumpur, and Shanghai. The company plan to establish, by renting, new offices in Penang, India, Singapore, and Taiwan over 36 months to provide design services and support to its customers and to expand its design engineering team.

The company also intends to expand its business through investments and acquisitions that complements its existing business and provide additional revenue streams to tap into the potential growth in demand for IC design services.

**Expansion in post-silicon validation services.** The company forged a strategic partnership with Sophic Automation in 2022, aimed to further expand its customer base and capabilities in delivering post-silicon validation services. The expansion in post-silicon validation services will complement its IC design business and potentially increase its revenue going forward. As at LPD, the company have hired 3 post-silicon engineers for its post-silicon validation services and started exploring new business opportunities with existing customers to strengthen its business growth.

**Experienced management team.** With the leadership of its 3 founding members ED & CEO Mr Ng Meng Thai, ED & CTO Mr Cheah Hun Wah, ED & COO Mr Tan Chun Chiat who has more than 29 years of experience in the IC design industry, the company was able to achieve a 3-year revenue CAGR of 77.9% from FY20 to FY22.

**Risk factors.** (1) Failure to secure new projects from customers. (2) Skilled labour shortages.

INVESTMENT STATISTICS	FY20	FY21	FY22	FY23F	FY24F
Revenue (RM m)	16.0	29.3	50.6	60.7	75.8
EBITDA (RM m)	8.5	20.8	36.7	35.4	44.0
PAT (RM m)	0.4	7.8	16.6	21.5	27.9
Profit Margin (%)	2.6	26.7	32.8	35.4	36.8
EPS (sen)	0.1	1.2	2.6	3.4	4.4
EPS Growth (%)	-	1752.5	112.9	29.4	30.0
BV Per Share (sen)	0.2	0.5	2.2	20.7	23.8
PE (x)	-	51.4	24.1	18.7	14.3
Net gearing/ (net cash) (%)	Cash	Net Cash	Net Cash	Net Cash	Net Cash
ROA (%)	8.2	50.5	80.4	15.6	17.6
ROE (%)	31.4	252.0	118.3	16.3	18.5

Sources: Company, Mercury Securities

### Business Overview

The company is involved in the provision of IC design services covering front-end design, back-end design and complete turnkey solutions. The company also provide other related services such as post-silicon validation services, training, and consultancy services.

### Listing Details

Listing Date	15 Mar 23
New Shares (m)	165.5
Offer For Sale (m)	-
Funds Raised (Rm m)	104.3

### Post Listing

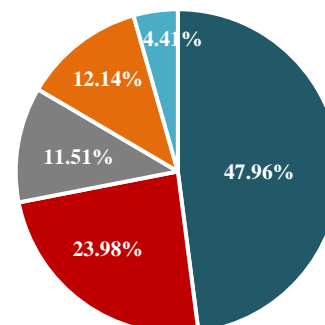
Ordinary shares (m)	636.2
Market Cap (RM m)	400.8
Free Float	26.01%
P/E (FY22F)	25.0x

### Major Shareholders

Cheah Hun Wah	21.09%
Ng Meng Thai	20.06%
Tan Chun Chiat	13.40%

### Utilization of IPO Proceeds (RM m)

Business expansion through expansion of workforce (Within 36 months)	50.0
Establishment of new offices (Within 36 months)	25.0
R&D expenditure (Within 36 months)	12.0
Working capital (Within 24 months)	12.7
Listing expenses (2 month)	4.6



- Business expansion
- Establishment of new offices
- R&D expenditure
- Working capital
- Listing expenses

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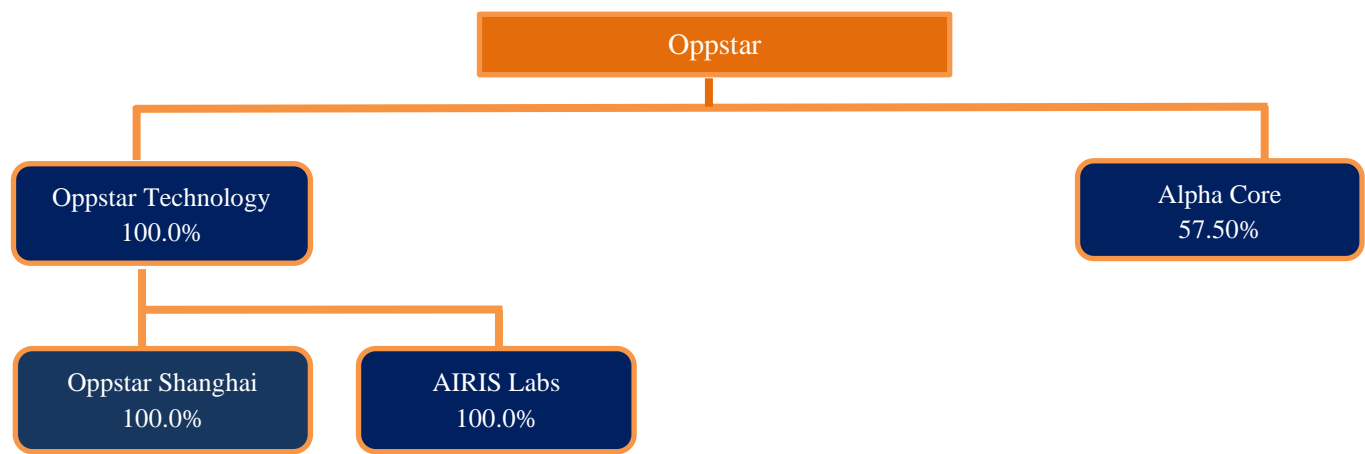


## IPO details

	Offer for sale (m)	Public issue (m)	Total (m)	(%)
(i) Malaysian Public via Balloting	-	31.8	31.8	5.00%
(ii) Eligible Directors and employees as well as persons who have contributed to the success of the Group	-	22.3	22.3	3.50%
(iii) Private placement to Bumiputera investors approved by MITI	-	79.5	79.5	12.50%
(iv) Private placement to selected investors	-	31.9	31.9	5.01%
<b>Total</b>	-	165.5	165.5	26.01%

Source: Company

## Group structure post listing



Source: Company

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