



# Edeltech Holdings Berhad

## “IPO Note – A specialist in the ATE industry”

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**IPO Price: RM0.24**  
**Fair Value: RM0.34**

### Valuation / Recommendation

We have a SUBSCRIBE recommendation on Edeltech Holdings Berhad with a target price of RM0.34 based on FY24F EPS of 1.7 sen and a PE of 20x in line with its peer’s average.

We like the stock for its attractive expansion plans and high technical capabilities, well-positioned to leverage on the growth of the semiconductor industry which is forecasted by IDC to grow at a 5-year CAGR of 4.93% from 2021 to 2026. The Group has a 0.0099% and 0.072% market share by business value in design and assembly of IC BIBs and supply of PCBs, and design, development, and assembly of ATE and factory automation in Malaysia. The target price represents a potential return of 42.0% over the IPO price.

### Investment Insights

**Strong customer base.** The company has a strong portfolio of customers consisting of multinational IDMs and OSATs located in Malaysia, Singapore, Thailand, China, and United States. The company is able to maintain a good relationship with its major customers spanning from 1 year to 19 years through repeat orders.

**Strong technical capabilities.** The company is able to develop products to support the IC assembly and test processes and adapt its technologies and products to suit the evolving nature of the semiconductor industry. The company have been developing IC burn-in boards that are able to test different types and sizes of ICs. The company is also able to customise ATE for IC assembly and test processes, and provide value added services by refurbishing used IC assembly and test consumables and machines to increase its lifespan. With the wide range of products that support the IC assembly and test processes, the company is able to cross-sell its products to customers and increase its sales.

**Attractive expansion plans.** The company intends to expand its production capacity via the construction of a new factory at Batu Kawan, Penang. The factory will have a built-up area of approximately 43,500 sq. ft, where around 26,000 sq. ft will be allocated for production space, 4,700 sq. ft for storage space, and around 12,200 sq. ft for office space. Upon completion of the new factory, this will increase its annual capacity for the IC burn-in boards, PCBs, refurbishment of dicing blades, refurbishment of PCB gold fingers to 34,450 pieces, 1,690,000 pieces, 52,000 pieces, and 240 pieces.

**Experienced management team.** The company is managed by CEO Chin Yong Keong along with key senior management team who has more than 20 years of experience in the semiconductor industry. The company was able to achieve a 3-year revenue CAGR of 25.3% and a 3-year profit after tax CAGR of 114.4% from FY19 to FY22.

**Risk factors.** (1) Skilled labour shortages. (2) Material supply chain disruption.

INVESTMENT STATISTICS	FY20	FY21	FY22	FY23F	FY24F
Revenue (RM m)	16.7	24.0	24.4	25.6	30.7
EBITDA (RM m)	4.9	10.2	6.8	6.4	10.7
PAT (RM m)	4.0	9.0	5.4	5.2	9.0
Profit Margin (%)	23.9	37.6	22.3	20.2	29.3
EPS (sen)	0.7	1.7	1.0	1.0	1.7
EPS Growth (%)	659.5	126.1	-39.6	-5.0	74.2
BV Per Share (sen)	1.6	2.8	3.6	9.1	10.5
PE (x)	32.1	14.2	23.5	24.7	14.2
Net gearing/ (net cash) (%)	Net	Net	Net	Net	Net
	Cash	Cash	Cash	Cash	Cash
ROA (%)	20.9	37.9	19.3	9.2	14.9
ROE (%)	45.8	59.6	28.5	10.6	16.1

Sources: Company, Mercury Securities

### Business Overview

Edeltech Holdings Berhad is principally involved in the provision of engineering support for IC assembly and test processes in the semiconductor industry.

### Listing Details

Listing Date	30 May 23
New Shares (m)	100.0
Offer For Sale (m)	43.2
Funds Raised (Rm m)	24.0

### Post Listing

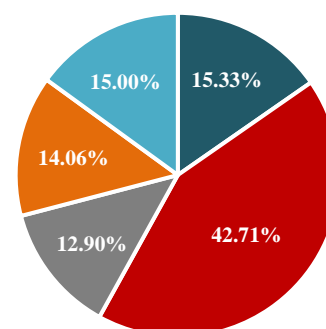
Ordinary shares (m)	532.5
Market Cap (RM m)	127.8
Free Float	18.8%
P/E (FY22)	23.5x

### Major Shareholders

Chin Yong Keong	44.1%
Khong Chee Seong	20.1%
Chin Yuen Fong	8.7%

### Utilization of IPO Proceeds (RM m)

Factory construction (Within 12 months)	3.7
Borrowings repayment (Within 24 months)	10.3
R&D (Within 30 months)	3.1
Working capital (Within 24 months)	3.4
Listing expenses (3 month)	3.6



- Factory construction
- Borrowings repayment
- R&D
- Working capital
- Listing expenses

**Ronnie Tan**  
ronnie-tan@mersec.com.my



## IPO details

	Offer for sale (m)	Public issue (m)	Total (m)	(%)
(i) Malaysian Public via Balloting	-	26.6	26.6	5.0%
(ii) Eligible Directors and employees as well as persons who have contributed to the success of the Group	-	10.0	10.0	1.9%
(iii) Private placement to Bumiputera investors approved by MITI	-	-	-	-
(iv) Private placement to selected investors	43.2	63.4	106.6	20.0%
<b>Total</b>	43.2	100.0	143.2	26.9%

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
Pentamaster	PENT MK	4.81	3,414.3	32.1	26.3	15.0	18.3	29.5%	22.0%	4.7	4.1
MI Tech	MI MK	1.39	1,208.3	20.4	15.3	6.8	9.1	-11.6%	33.8%	1.2	1.1
Elsoft	ELSR MK	0.52	348.4	34.7	21.7	1.5	2.4	-76.3%	60.0%	2.5	2.5
QES	QES MK	0.54	442.1	16.9	15.4	3.2	3.5	0.9%	9.4%	2.4	2.2
Aemulus	AMLS MK	0.33	217.3	33.0	18.3	1.0	1.8	-50.0%	80.0%	1.1	1.0
Average				27.4	19.4						

Source: Bloomberg

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Registration No. 198401000672 (**113193-W**)

L-7-2, No 2, Jalan Solaris, Solaris Mont' Kiara, 50480 Kuala Lumpur

Telephone: (603) - 6203 7227 Website: [www.mercurysecurities.com.my](http://www.mercurysecurities.com.my)

Email: [mercurykl@mersec.com.my](mailto:mercurykl@mersec.com.my)