



DXN Holdings

“IPO Note – A global powerhouse in health- and wellness products”

Valuation / Recommendation

We have a SUBSCRIBE recommendation on DXN Holdings Berhad with a target price of RM0.95 based on FY24F EPS of 6.3 sen and a PE of 15x which is in line with the consumer products & services sector’s FY24F PE.

We like the stock for its global market presence and established integrated supply chain equipped for an attractive expansion plan, well-positioned to leverage on the growth of the global market size of health and wellness product which is estimated by Frost & Sullivan to grow at CAGR of 10.1% from 2022 to 2026. The target price represents a potential return of 35.7% over the IPO price.

Investment Insights

Strong global market presence. DXN Holdings has established a global market presence in 180 countries, with a particularly noteworthy stronghold in high-growth markets like Peru and Bolivia, with market shares of 33% and 25% respectively. In FY22, DXN's overseas segments contributed to 92.9% of their impressive RM1,243.0mil gross revenue.

Despite the challenges posed by the COVID-19 pandemic, DXN has achieved a CAGR of 6.1% in revenue from FY20 to FY22, driven by its highly scalable and sustainable business model and an extensive distribution network encompassing 14.9m registered members with over 3.6m active members as of LPD (31 March 2023).

Established pipeline for global expansion. DXN operates a vertically integrated supply chain in which they in-house manufacture 90.9% (327 SKUs) of their direct selling products in FY22. DXN currently own 2 research & development, 6 cultivation, and 10 manufacturing facilities strategically located in Malaysia, China, India, Indonesia, and Mexico. DXN plans to establish new manufacturing and cultivation facilities in India and China to boost production capacity which is expected to commence in 2Q23. DXN plans to enter into 5 additional markets in Latin America and Africa region by 2024.

Experienced management team. The company is led by Chairman Datuk Lim Siow Jin, the founder of DXN Group, who brings over 25 years of experience in leading the key senior management team. Since its privatization in 2011, the company achieved an 11-year CAGR of 14.5% for its revenue.

Risk factors. (1) Operational non-compliance risk across multiple countries. (2) Product regulatory risk across multiple countries.

INVESTMENT STATISTICS	FY20	FY21	FY22	FY23	FY24F
Revenue (RM m)	1104.0	1050.0	1243.0	1600.8	1769.9
PAT (RM m)	255.3	200.9	245.4	289.3	328.4
PAT Margin (%)	23.1	19.1	19.7	18.1	18.6
PATMI (RM m)	241.7	191.5	242.9	275.4	313.0
PATMI Margin (%)	21.9	18.2	19.5	17.2	17.7
EPS (sen)	4.8	3.8	4.9	5.5	6.3
EPS Growth (%)	-	-20.7	26.8	13.4	13.6
Dividend Yield (%)	1.6	2.3	3.5	3.2	3.6
PE (x)	14.5	18.3	14.4	12.7	11.2
Net gearing/ (net cash) (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Sources: Company, Mercury Securities

Main Market
Consumer Product & Services
Subscribe
IPO Price: RM0.70
Fair Value: RM0.95

Business Overview

DXN Holdings is primarily involved in the sale of health-oriented and wellness consumer products consisting of fortified food and beverages (FFB), health and dietary supplements (HDS), personal care and cosmetics (PCC) and other products. Additionally, DXN provides laboratory testing services for external clients, offers lifestyle products, and operates a café to support its core business.

Listing Details

Listing Date	19 May 23
New Shares (m)	160.0
Offer For Sale (m)	772.68
Funds Raised (Rm m)	112.0

Post Listing

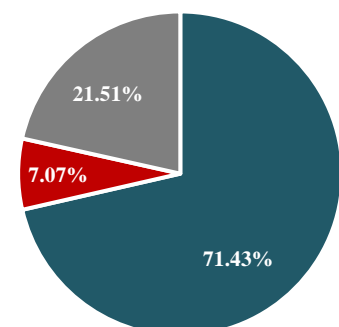
Ordinary shares (m)	4,985.0
Market Cap (RM m)	3,500.0
Free Float	18.7%
P/E (FY23)	12.7x

Major Shareholders

LSJ Global	65.2%
Gano Global	13.3%

Utilization of IPO Proceeds (RM m)

Repayment of bank borrowings (Within 12 months)	80.0
Working Capital (Within 6 months)	7.9
Defray expenses relating to IPO & listing (3 month)	24.1



- Repayment of Bank Borrowings
- Working Capital
- Listing Expenses



IPO details

	Offer for sale (m)	Public issue (m)	Total (m)	(%)
(i) Malaysian Public via Balloting	-	100.0	100.0	2.00%
(ii) Eligible Directors and employees as well as persons who have contributed to the success of the Group	-	60.0	60.0	1.20%
(iii) Private placement to Bumiputera investors approved by MITI	623.1	-	623.1	12.50%
(iv) Private placement to selected investors	149.6	-	149.6	3.00%
Total	772.7	160.0	932.7	18.70%

Source: Company

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