



# Synergy House Berhad

## “IPO Note – A specialist in furniture design and development”

**Ace Market**  
**Consumer**  
**Subscribe**  
**IPO Price: RM0.43**  
**Fair Value: RM0.52**

### Valuation / Recommendation

We have a SUBSCRIBE recommendation on Synergy House Berhad with a target price of RM0.52 based on FY24F EPS of 5.8 sen and a PE of 9x in line with its peer’s average.

We like the stock for its attractive expansion plans and strong design and development (D&D) capabilities, well-positioned to leverage on the growth of the global furniture consumption which is forecasted by SMITH ZANDER to grow at a CAGR of 2.88% from USD590.01bn in 2021 to USD642.46bn in 2024. The target price represents a potential return of 20.9% over the IPO price.

### Investment Insights

**Light asset model with strong D&D capabilities.** The company outsources its manufacturing process of its home furniture to third party manufacturers. This allow its resources to be focused on design and development (D&D), hence the company is able to provide a variety of offerings and designs across bedroom, dining, and living room furniture. The company also has strong design capabilities and is able to consistently launch new home furniture designs with different specifications and enhanced functionality and appearance to suit the latest market trends and consumer preferences.

During 2019-2022 period, Synergy launched 2745 new designs of home furniture respectively. The company’s continuous launching of new designs by its D&D team helped to improve its competitive edge in the global and domestic furniture markets. The company plans to expand its offerings by diversifying into bathroom and kitchen furniture going forward.

**B2C expansion.** The company intends to expand its B2C business segment by expanding its customer reach via listing and selling its products on more third-party e-commerce platforms with new target markets and establish new warehouses in Muar, Johor within 2023 and Port Klang within 2027 as its e-commerce fulfilment centres. The company also plans to purchase more inventories for its third-party e-commerce fulfilment centres in overseas countries and proposed new warehouses in Muar, Johor. To enhance its revenue, the company plans to engage in more advertisement and promotion activities.

**Experienced management team.** The company is managed by Non-Independent ED Tan Eu Tah and The Yee Luen along with key senior management team who has more than 20 years of experience in the furniture industry. The company was able to achieve a 3-year revenue CAGR of 20.3% and a 3-year profit after tax CAGR of 15.05% from FY19 to FY22.

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

INVESTMENT STATISTICS	FY20	FY21	FY22	FY23F	FY24F
Revenue (RM m)	122.9	184.3	194.1	248.7	311.2
EBITDA (RM m)	19.9	23.0	28.5	34.2	43.9
PAT (RM m)	12.2	14.4	16.6	22.3	29.2
Profit Margin (%)	9.9	7.8	8.6	9.0	9.4
EPS (sen)	2.4	2.9	3.3	4.5	5.8
EPS Growth (%)	24.9	18.4	15.5	34.4	30.7
BV Per Share (sen)	4.0	6.9	9.3	19.7	24.1
PE (x)	17.7	14.9	12.9	9.6	7.4
Net gearing/ (net cash) (%)	Net Debt	Net Debt	Net Debt	Net Debt	Net Debt
ROA (%)	14.0	12.9	12.7	12.4	13.0
ROE (%)	60.2	41.9	35.8	22.6	24.2

Sources: Company, Mercury Securities

### Business Overview

Synergy House Berhad is an investment holding company and through its subsidiaries, the company is principally involved in the design, development, and sale of RTA home furniture.

### Listing Details

Listing Date	1 June 23
New Shares (m)	80.0
Offer For Sale (m)	50.0
Funds Raised (Rm m)	34.0

### Post Listing

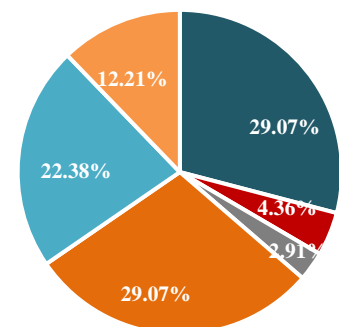
Ordinary shares (m)	500.0
Market Cap (RM m)	215.0
Free Float	16.0%
P/E (FY22)	12.9x

### Major Shareholders

SH Holdings	74.0%
-------------	-------

### Utilization of IPO Proceeds (RM m)

Purchase of inventories (Within 18 months)	10.0
Purchase of racking system and forklifts (Within 18 months)	1.5
Ecommerce advertising and promotions (Within 18 months)	1.0
Borrowings repayment (Within 6 months)	10.0
Working capital (Within 12 months)	7.7
Listing expenses (1 month)	4.2



- Purchase of inventories
- Purchase of racking system & forklifts
- Ecommerce advertising & promotions
- Borrowings repayment
- Working capital
- Listing expenses

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

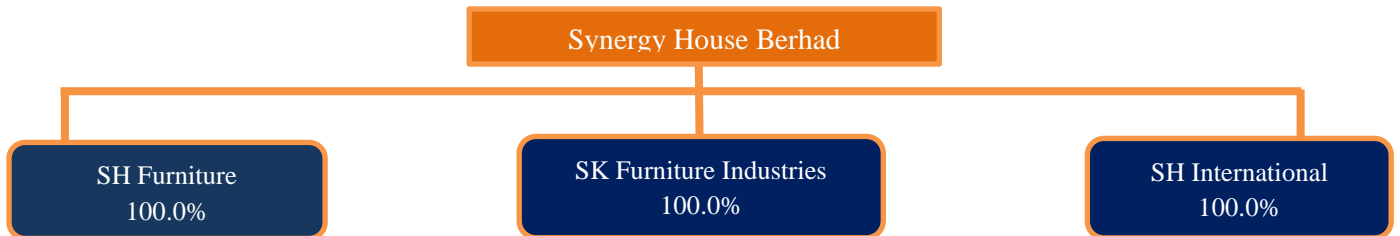


## IPO details

	Offer for sale (m)	Public issue (m)	Total (m)	(%)
(i) Malaysian Public via Balloting	-	25.0	25.0	5.0%
(ii) Eligible Directors and employees as well as persons who have contributed to the success of the Group	-	2.5	2.5	2.5%
(iii) Private placement to Bumiputera investors approved by MITI	50.0	12.5	62.5	12.5%
(iv) Private placement to selected investors	-	30.0	30.0	6.0%
<b>Total</b>	<b>50.0</b>	<b>80.0</b>	<b>130.0</b>	<b>26.0%</b>

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
Lii Hen	LHI MK	0.84	453.6	6.5	6.5	13.0	13.0	-7.1%	-0.4%	0.9	0.9
Rhong Khen	RKI MK	1.33	258.4	7.8	7.0	17.0	19.0	-5.6%	11.5%	0.4	0.4
Hevea	HAVE MK	0.36	200.9	18.0	18.5	2.0	2.0	-	-2.5%	44.4	44.4
Poh Huat	PHR MK	1.28	339.2	6.1	5.6	21.0	23.0	-34.4%	9.5%	60.9	55.6
Average				9.6	9.4						

Source: Bloomberg

# DISCLAIMERS AND DISCLOSURES

## Disclaimers

This report is prepared primarily for the use of Mercury Securities' clients in Malaysia and not for publication purposes, should not be reproduced, altered in any way, transmitted to, copied, or distributed to any other party in whole or in part in any form or manner without the prior express written consent of Mercury Securities. Mercury Securities, companies and individuals related to it accept no liability whatsoever for the actions of third parties in this respect.

This research report is prepared for general circulation and for information purposes only and under no circumstances should it be considered or intended as an offer to sell or a solicitation of an offer to buy the stocks or securities referred to in the report. Investors should note that the price, values, or fundamentals of any securities may fluctuate over time. Past performance of any securities may not be an accurate guide to its future performance.

This report is not intended to provide personal investment advice and does not take into account the investment objectives, financial situation and risk appetite of persons who may receive or read this report. Investors are advised to trade at their own absolute discretion, and to seek financial, legal, and other pertinent professional advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report.

Any information, views, opinions, recommendations, and advice in this report are given in good faith but without any legal responsibility or liability to Mercury Securities and connected parties. Information contained in this report has been obtained from public sources believed to be reliable, but such sources are not independently verified by Mercury Securities and consequently no representation is made as to the accuracy or completeness of this information, and it should not be relied upon as such. The views, recommendations and opinions in this research report are our own as of the date hereof and are subject to change without prior notice.

Mercury Securities expressly disclaims any obligation to update or revise any views, recommendations, forward looking statements, and forecasts in a timely manner to reflect new information, events, or circumstances after the date of this report publication or to reflect the occurrence of unanticipated events. Our views and recommendations are based on our own analysis of publicly available information. A subject company's fundamentals and prospects are subject to various risks and uncertainties that could cause its actual performance to differ from our opinion.

As such, Mercury Securities and its directors, officers, associates, connected parties and employees shall not be liable for any direct, indirect, or consequential losses or damages that may arise from the use of or reliance on this research report.

## Disclosures

Mercury Securities Sdn Bhd Registration No. 198401000672 (113193-W) is a Participating Organisation of Bursa Malaysia Securities Berhad and a principal holding a Capital Markets Services Licence ("CMSL") issued by the Securities Commission ("SC") of Malaysia. Its research analysts hold a Capital Markets Services Representative's Licence ("CMSRL"). Principals holding a CMSL and representatives holding a CMSRL are regulated by SC in accordance with the Capital Markets and Services Act 2007 ("CMSA").

Mercury Securities, companies or individuals connected with it may have used research material before publication and may have positions in or may be materially interested in any stocks or securities in the markets mentioned. Some of the subject companies covered by Mercury Securities for research purposes may be a client of Mercury Securities in the past, current or may be a potential client in the future. Possible business dealings may include, but is not limited to share trading, market making, underwriting, corporate finance and corporate advisory services.

# RECOMMENDATION RATING

Mercury Securities maintains a list of stock coverage. Stock can be added or dropped subject to needs with or without notice. Hence, the recommendation rating only applicable to stocks under the list. Stocks out of the coverage list will not carry recommendation rating as the analyst may not follow the stocks adequately.

Mercury Securities has the following recommendation rating:

<b>BUY</b>	Stock's total return is expected to be +10% or better over the next 12 months (including dividend yield)
<b>HOLD</b>	Stock's total return is expected to be within +10% or -10% over the next 12 months (including dividend yield)
<b>SELL</b>	Stock's total return is expected to be -10% or worse over the next 12 months (including dividend yield)

Published and printed by:

**MERCURY SECURITIES SDN BHD**

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)