



MST Golf Group Berhad

“IPO Note – A one-stop center to elevate your golf game”

Main Market
Consumer Discretionary
Subscribe
IPO Price: RM0.81
Fair Value: RM0.88

Valuation / Recommendation

We have a SUBSCRIBE recommendation on MST Golf Group Berhad with a target price of RM0.88 based on FY23F EPS of 4.4 sen and a PE of 20x which is a 20% discount to the P/E average of larger U.S. peers in the same industry.

We like the stock for its attractive expansion plans and strong market presence. The Group has a 51% market share by golf equipment imports in Malaysia. The target price represents a potential return of 8.6% over the IPO price.

Investment Insights

Strong market presence. MST is a multi-brand specialised retailer of golf equipment which sells approximately 12,000 stock keeping units (SKU) and 97 brands of golf equipment. The company has a market share of 51.0% on Malaysian golf equipment imports in 2022. With an extensive network of 36 retail outlets in Malaysia and 8 in Singapore, the retailer has established a strong market presence.

Additionally, the company holds subsisting agreements for 19 out of the top 25 global golf equipment brands, allowing for widespread distribution in Malaysia, Singapore, and other countries. MST’s ilovegolf loyalty membership program has a substantial base of 93,955 active members, contributing a significant portion of their total retail revenue.

Enhanced market penetration in Malaysia and Singapore. To strengthen its competitive position, MST plans to expand their market coverage in Malaysia and Singapore by opening 10 new retail outlets and introducing 5 other retail outlets with indoor golf centres. The company’s expansion strategy aims to provide improved accessibility and convenience for customers while targeting both golfers and non-golfers.

New geographical expansion. MST aims to expand its market presence in foreign countries, including Indonesia, Thailand, and Vietnam. This expansion will involve joint ventures with local partners, leveraging its resources and networks. Over the next few years, the company intends to establish 9 new retail outlets and 7 retail outlets with indoor golf centres in these countries.

Digital technology upgrades and outlet refurbishments. The company also intends to invest in upgrading its digital technology facilities, including ERP and IT systems, to support the company’s business expansion plans. MST also plans to upgrade and refurbish its existing golf retail outlets to enhance its brand image and attract new customers.

Risk factors. (1) Failure to renew contracts with brand owners. (2) Competition from the used or counterfeit golf equipment markets.

INVESTMENT STATISTICS	FY20	FY21	FY22	FY23F	FY24F
Revenue (RM m)	170.2	206.5	300.9	361.1	415.2
EBITDA (RM m)	22.6	31.3	47.6	65.6	72.6
EBITDA Margin (%)	13.3	15.2	15.8	18.2	17.5
PAT (RM m)	13.7	20.1	29.1	36.3	41.1
EPS (sen)	1.7	2.4	3.5	4.4	5.0
EPS Growth (%)	-8.7	46.9	44.9	24.7	13.2
BV Per Share (sen)	4.7	5.5	11.7	31.2	35.7
PE (x)	48.6	33.1	22.8	18.3	16.2
Net gearing (%)	35.9	3.9	35.8	Cash	Cash
ROA (%)	9.2	11.3	11.2	9.1	8.6
ROE (%)	35.8	44.6	30.3	14.2	14.0

Sources: Company, Mercury Securities

Business Overview

MST Golf is an investment holding company with subsidiaries primarily involved in specialty retail and wholesale of golf equipment, golf coaching, rental services, event management, and operation of indoor golf centers in Malaysia and Singapore.

Listing Details

Listing Date	20 July 23
New Shares (m)	228.0
Offer For Sale (m)	68.0
Funds Raised (Rm m)	129.6

Post Listing

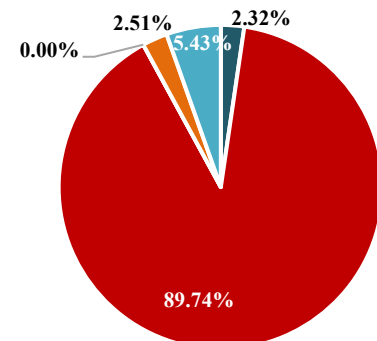
Ordinary shares (m)	820.9
Market Cap (RM m)	664.9
Free Float	27.8%
P/E (FY22)	22.8x

Major Shareholders

All Sportz	52.1%
Ng Yap Sio	7.1%
Low Kok Poh	3.6%

Utilization of IPO Proceeds

	(RM m)
Capital expenditure (Within 36 months)	3.0
Business expansion (Within 36 months)	116.3
Repayment of bank borrowings (Within 6 months)	0.0
Working capital (Within 12 months)	3.3
Listing expenses (3 month)	7.0



- Capital expenditure
- Business expansion
- Repayment of bank borrowings
- Working capital
- Listing expenses

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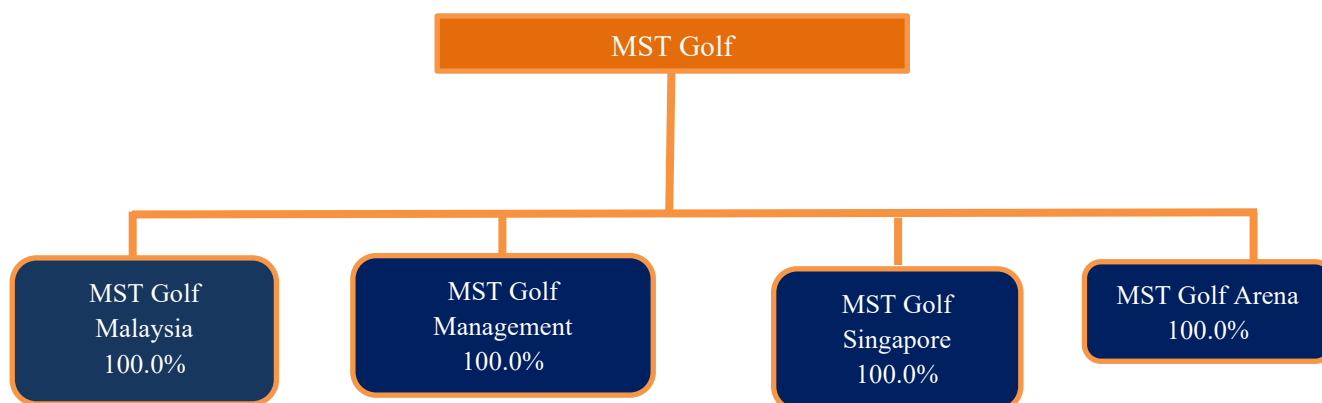


IPO details

		Offer for sale (m)	Public issue (m)	Total (m)	(%)
(i)	Malaysian Public via Balloting	-	41.5	41.5	5.1
(ii)	Eligible Directors and employees as well as persons who have contributed to the success of the Group	-	7.9	7.9	1.0
(iii)	Private placement to Bumiputera investors approved by MITI	68.0	34.6	102.6	12.5
(iv)	Private placement to selected investors	-	76.0	76.0	9.3
	Total	68.0	160.0	228.0	27.8

Source: Company

Group structure post listing



Source: Company

Regional peer comparison

Company	Bloomberg Ticker	Share Price (USD)	Market Cap (USD'm)	PE (x)		EPS (sen)		EPS Growth		P/BV (x)	
				FY23f	FY24f	FY23f	FY24f	FY23f	FY24f	FY23f	FY24f
Topgolf Callaway	MODG US	20.05	3,721.3	30.8	22.8	65.0	88.0	-23.5%	35.4%	1.1	1.0
Acushnet Holdings	GOLF US	55.02	3,706.3	19.0	18.1	291.0	304.0	5.1%	4.5%	4.2	3.8
Average				24.9	20.4						

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