



# Cnergenz Berhad

## “Earnings recovery slower than anticipated”

**Bloomberg: CNERGEN MK | Stock Code: 0246**

**Ace Board**  
**Technology**  
**CEASE COVERAGE**  
**Fair Value: RM0.56**  
**Last Closing Price: RM0.75**  
**Initiated Price: RM0.47**

### Valuation / Recommendation

Results were within expectations, achieving 41.7% and 49.3% of our full year revenue and profit forecasts for FY23 respectively. We revise our revenue and profit targets for FY23 downward by -12.4% and -20.9% respectively.

We will cease coverage on this stock as the earnings recovery is anticipated to be slower than expected due to poor market conditions. We propose a fair value of RM0.56 on its based on FY23F EPS of 4.7 sen and a PE of 12x, calculated based on EPS CAGR of +12% between FY20-22A.

### Investment Highlights

**Revenue.** Revenue declined -35.1% qoq and -49.2% yoy respectively due to the slowdown in demand from clients, particularly those in the consumer products sector. Demand for EMS projects has also dampened due to China’s economic deceleration.

**Order book.** As at June 2023, unbilled orders stand at around RM31.95m, which are mostly expected to be recognised in 3Q2023. Cnergenz is also working on several potentially lucrative projects that are expected to boost earnings as soon as 4Q2023, but these are still in the R&D stage.

**Net profit.** Net profit declined -25% qoq and -41.6% yoy respectively. This decline was mainly attributed to a reduced contribution from integrated solution provision and the sales of standalone SMT machines and equipment.

**Risk factor.** (1) Slower than expected order flows (2) Shortages of skilled engineers and technicians. (3) Rising interest rates.

INVESTMENT STATISTICS	FY20	FY21	FY22	FY23F	FY24F
Revenue (RM m)	132.8	153.0	216.9	207.6	234.8
EBITDA (RM m)	21.4	17.8	29.2	30.8	33.9
PATMI (RM m)	16.0	12.7	22.3	23.4	25.8
Profit Margin (%)	12.0	8.3	10.3	11.3	11.0
EPS (sen)	3.2	2.5	4.5	4.7	5.2
EPS Growth (%)	-14.5	-20.6	75.8	5.2	10.0
BV Per Share (sen)	13.3	13.9	29.8	33.1	37.3
PE (x)	28.2	35.6	20.2	19.2	17.5
Dividend Yield (%)	-	-	0.7	0.8	0.8
Net Gearing (%)	Cash	Cash	Cash	Cash	Cash
ROA (%)	14.9	9.8	11.0	9.9	10.2
ROE (%)	24.1	18.3	15.0	14.2	13.9

Sources: Mercury Securities, Company

### Business Overview

Cnergenz Berhad, through its subsidiaries, provides electronics manufacturing solutions, specialises in surface mount technology (SMT) manufacturing solutions for the electronics and semiconductor industries (E&S industries).

### Stock Return Information

KLCI (pts)	1,444.41
Expected Share Return (%)	-
Expected Dividend Yield (%)	-
Expected Total Return (%)	-

### Price Performance

	1M	3M	12M
Absolute (%)	-3.2	-17.1	-21.1
Relative to Index (%)	-4.3	-19.2	-18.3

### Share Information

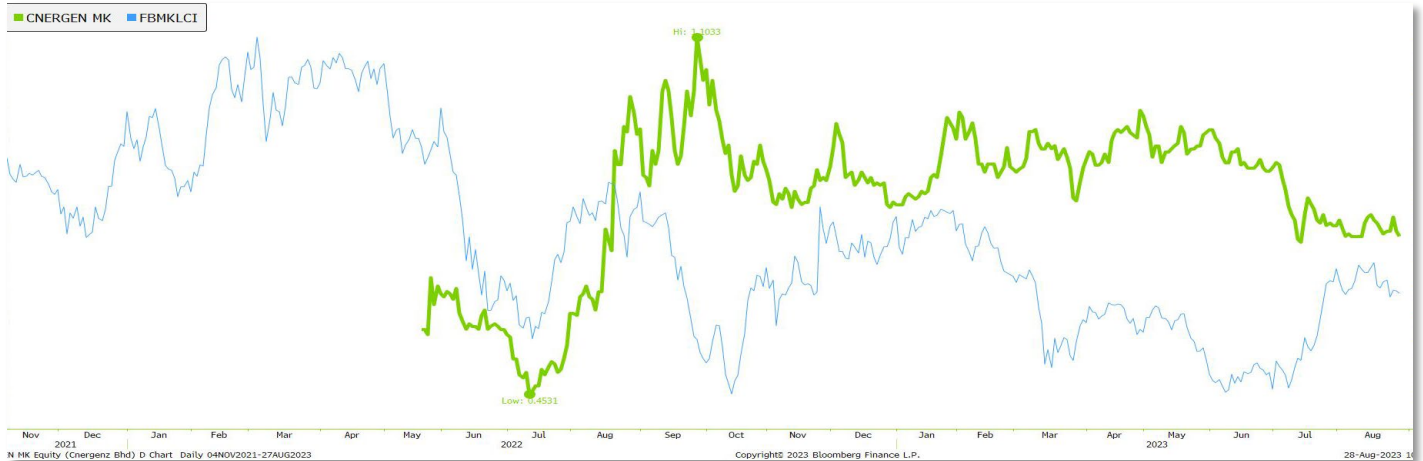
Market Cap (RM m)	373.5
Issued Shares (m)	498.0
52W High (RM)	1.15
52W Low (RM)	0.73
Estimated Free Float (%)	29.4
Beta vs FBM KLCI	-
3-month Average Vol. (m)	26.0

### Top 3 Shareholders (%)

Lye Yhin Choy	44.52
Kong Chia Liang	23.36
Hong Leong Co Malaysia	2.53

Sources: Mercury Securities, Company, Bloomberg

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## Peer 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
Pentamaser	PENT MK	5.28	3,770.0	35.9	29.3	14.7	18.0	19.1%	22.4%	1.0	1.2
Greatech	GREATEC MK	4.56	5,703.8	30.1	26.0	15.8	18.0	50.0%	13.9%	7.5	5.8
QES	QES MK	0.585	496.3	19.8	17.5	3.0	3.4	-5.4%	13.3%	2.7	2.5
Average				28.6	24.3						

## Results (RM m)

FY Dec	2Q23	1Q23	qoq %	2Q22	yoy %
Revenue	38.9	59.9	-35.1	76.6	-49.2
COGS	-29.5	-49.7	-40.6	-61.3	-51.9
Gross Profit	9.4	10.2	-8.4	15.2	-38.5
Other Income	0.1	0.1	-41.5	0.1	-13.6
Selling & Distribution Expenses	-0.7	-0.6	15.9	-0.6	11.8
Admin Expenses	-1.9	-1.6	22.5	-2.2	-12.0
Other losses – net	-0.5	0.6	-190.9	-0.3	59.5
Operating Profit	6.4	8.8	-27.9	12.2	-48.0
Finance Income	0.8	0.8	-3.0	0.1	579.7
Finance Costs	0.0	0.0	0.0	0.0	-12.5
Profit Before Tax	7.2	9.6	-25.9	12.3	-42.1
Tax Expense	-1.7	-2.4	-28.4	-3.0	-43.7
Net profit	5.4	7.2	-25.0	9.3	-41.6
Core net profit	5.4	59.9	-35.1	76.6	-49.2
EPS (sen)	1.09	-49.7	-40.6	-61.3	-51.9
Core EPS (sen)	1.09	10.2	-8.4	15.2	-38.5

Sources: Mercury Securities, Bloomberg



<b>PROFIT &amp; LOSS (RM m) FY Dec</b>	<b>FY20A</b>	<b>FY21A</b>	<b>FY22A</b>	<b>FY23F</b>	<b>FY24F</b>
Net Revenue	132.8	153.0	216.9	207.6	234.8
Gross Profit	24.2	25.0	37.1	36.3	41.1
Other Operating Income	0.8	0.7	0.4	1.0	1.2
EBIT	21.4	17.8	29.2	30.8	33.9
Administrative Expenses	3.4	6.6	7.6	8.3	10.0
Selling & Distribution Expenses	1.0	1.1	2.0	1.5	1.7
Other Operating Expenses	0.0	0.4	0.0	0.0	0.0
Profit from operations	20.6	17.5	27.8	27.6	30.6
Interest Income	0.7	0.4	1.6	3.3	3.3
Interest Expense	0.0	0.0	0.1	0.0	0.0
<b>Profit Before Tax</b>	<b>21.3</b>	<b>17.9</b>	<b>29.3</b>	<b>30.8</b>	<b>33.9</b>
Exceptional Items	-	-	-	-	-
Taxation	5.4	5.2	7.0	7.4	8.1
Minority Interests	0.0	0.0	0.0	0.0	0.0
<b>Profit After Tax (PATMI)</b>	<b>16.0</b>	<b>12.7</b>	<b>22.3</b>	<b>23.4</b>	<b>25.8</b>
Preferred Dividends / Adjustments	-	-	-	-	-
Recurring Net Profit	16.0	12.7	22.3	23.4	25.8
<b>BALANCE SHEET (RM m) FY Dec</b>	<b>FY20A</b>	<b>FY21A</b>	<b>FY22A</b>	<b>FY23F</b>	<b>FY24F</b>
Cash & Equivalents	45.8	59.0	105.6	117.3	130.2
Trade & Other Receivables	40.0	33.7	55.0	60.6	66.3
Inventories	16.9	19.2	20.4	31.3	28.2
Other Current Assets	1.3	0.6	0.5	0.6	0.5
<b>Current Assets</b>	<b>104.0</b>	<b>112.5</b>	<b>181.4</b>	<b>209.7</b>	<b>225.2</b>
Property, Plant & Equipment	2.4	15.6	20.6	23.0	25.0
Other Non-Current Assets	0.5	0.6	0.6	3.2	3.2
<b>Non-Current Assets</b>	<b>2.8</b>	<b>16.2</b>	<b>21.2</b>	<b>26.3</b>	<b>28.2</b>
Trade & Other Payables	38.8	36.1	47.4	59.2	55.6
Other Current Liabilities	1.3	10.3	5.0	10.7	10.7
<b>Current Liabilities</b>	<b>40.0</b>	<b>56.4</b>	<b>52.4</b>	<b>70.0</b>	<b>66.3</b>
Other Non-Current Liabilities	0.4	1.2	1.2	1.1	1.1
<b>Non-current Liabilities</b>	<b>0.4</b>	<b>1.2</b>	<b>1.2</b>	<b>1.1</b>	<b>1.1</b>
Share Capital	0.0	0.0	122.5	122.5	122.5
Retained Profits	66.1	69.1	87.9	99.6	112.5
Other Equity	0.1	0.2	-65.8	-65.4	-58.9
<b>Total Equity</b>	<b>66.2</b>	<b>69.3</b>	<b>148.5</b>	<b>164.9</b>	<b>186.0</b>
<b>CASH FLOW (RM m) FY Dec</b>	<b>FY20A</b>	<b>FY21A</b>	<b>FY22A</b>	<b>FY23F</b>	<b>FY24F</b>
Net profit for the financial year	16.0	12.7	22.3	23.4	25.8
Other operating cash flow	5.2	6.5	8.6	10.6	11.9
Changes in working capital	-2.1	10.1	-11.1	-4.7	-6.3
Tax paid	-5.4	-5.2	-7.6	-7.4	-8.1
<b>Cash flow from operations</b>	<b>13.6</b>	<b>23.6</b>	<b>13.3</b>	<b>21.9</b>	<b>23.3</b>
Other investing cash flow	0.4	-0.9	-15.8	-1.7	-1.7
<b>Cash flow from investing</b>	<b>0.4</b>	<b>-0.9</b>	<b>-15.8</b>	<b>-1.7</b>	<b>-1.7</b>
Dividends paid	-20.0	-7.0	-13.0	-11.7	-12.9
Other financing cash flow	-0.4	-0.3	57.8	-0.3	-0.3
<b>Cash flow from financing</b>	<b>-20.4</b>	<b>-7.3</b>	<b>44.8</b>	<b>-12.0</b>	<b>-13.2</b>

Sources: Mercury Securities, Company

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