



# Panda Eco System Bhd

## IPO Note - "Riding on growth of retail sector"

**Ace Board**  
**Technology Sector**  
**SUBSCRIBE**  
**IPO Price: RM0.16**  
**Fair Value: RM0.37**

### Valuation / Recommendation

We have a SUBSCRIBE recommendation on Panda Eco System Bhd with a target price of RM0.37 based on FY24F EPS of 1.6 sen and the peer average PE of 22.9x.

We like the stock for its attractive growth prospect on the back of its expansion plan in line with the projected growth of the Malaysian Retail Management Solutions (RMS) industry at a CAGR of 18.4% from 2023 to 2025 (Providence). The target price represents a potential return of 131.3% over the IPO price.

### Investment Highlights

**Strong domestic presence and a growing regional footprint.** The company's retail management ecosystem spans 1,377 stores in Malaysia, used by 110 retail chain store operators, while also venturing into Brunei since 2016 and Indonesia since 2021. Cloud-based solutions contributes to 55.3% of the Malaysian industry size in 2022, making the company strategically positioned to harness this thriving market.

**Workforce expansion.** The company plans to hire 20 additional Customer Technical Support (CTS) engineers by the end of 2025, with 4 already recruited as of LPD. This is expected to bolster the company's capacity to meet the rising demands of a growing customer portfolio and provide more effective technical support services.

**HQ expansion.** The company is actively seeking a new HQ in Ayer Keroh, Melaka, with an estimated 25,000 sq ft built-up area to support their expanding workforce. The new HQ is projected to cost approximately RM8.4m, with RM3.0m Financed through proceeds and the rest through internal funds and/or bank borrowings. The relocation and completion are expected to take up to 24 months.

**New hub expansion.** The company also plans to establish hubs in KL and Penang to better serve Central and Northern Peninsular Malaysia. Costing RM2.6m, this initiative (expected to complete by 4Q24) includes recruiting 8 CTS project executives and aims to improve customer support, market reach, and overall business operations.

**ASEAN regional expansion.** The company plans to expand regionally in ASEAN countries, focusing on Indonesia and the Philippines. Observing market potential in these regions, establishing 1 new service hub in each country by 2025, with a total estimated setup cost of RM1.9m. The funds will be sourced entirely from the gross proceeds of their Public Issue over 36 months.

**Risk factors.** (1) Risk of cyber-security breaches and failures. (2) Failure to secure new orders and maintain existing customers orders. (3) Competition risk for similar software products and services.

Investment Statistics	FY20	FY21	FY22	FY23F	FY24F
Revenue	16.4	20.0	21.0	25.5	29.4
EBITDA (RM m)	8.2	10.5	8.5	10.4	11.9
PATMI (RM m)	6.9	7.9	7.1	8.0	9.2
Profit Margin (%)	42.3	39.6	33.6	31.3	31.3
EPS (sen)	1.2	1.4	1.3	1.4	1.6
EPS Growth (%)	-	14.2	-10.9	13.1	15.3
BV Per Share (sen)	0.02	0.02	0.02	0.03	0.04
PE (x)	13.0	11.4	12.7	11.3	9.8
Net Gearing (%)	Cash	Cash	Cash	Cash	Cash
ROA	32.1	56.5	42.8	33.1	26.9
ROE	49.6	76.8	55.9	53.4	42.0

### Business Overview

Panda Eco is principally involved in the development, customization, implementation, and integration of retail management eco-systems. Additionally, the company is also involved in the trading of third-party software, trading of IT hardware as well as software customization, implementation and integration of process control and automation solutions.

### Listing Details

Listing date	27 Nov 2023
New shares (m)	171.1
Offer for sale (m)	61.8
Funds raised	27.4

### Post Listing

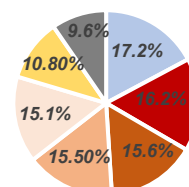
Ordinary shares (m)	671.2
Market cap (RM M)	107.4
Free Float	25.5%
P/E (FY24F)	9.8

### Top 3 Shareholders

Goldcoin Capital	69.6%
Bong Kok Choo	1.8%
Wong Khai Meng	1.4%

### Utilisation of Proceeds

	RM'mil
Research & development of new solutions	2.7
Regional expansion in ASEAN countries	1.9
Workforce and additional service expansion	2.6
Expansion of CTS department	1.7
HQ expansion	3.0
Working capital	2.8
Estimated listing expenses	2.7



- HQ expansion
- Working capital
- Estimated listing expenses
- Research & development of new solutions
- Workforce and additional service expansion
- Regional expansion in Asean countries
- Expansion of CTS department

Source: Mercury Securities, Bloomberg

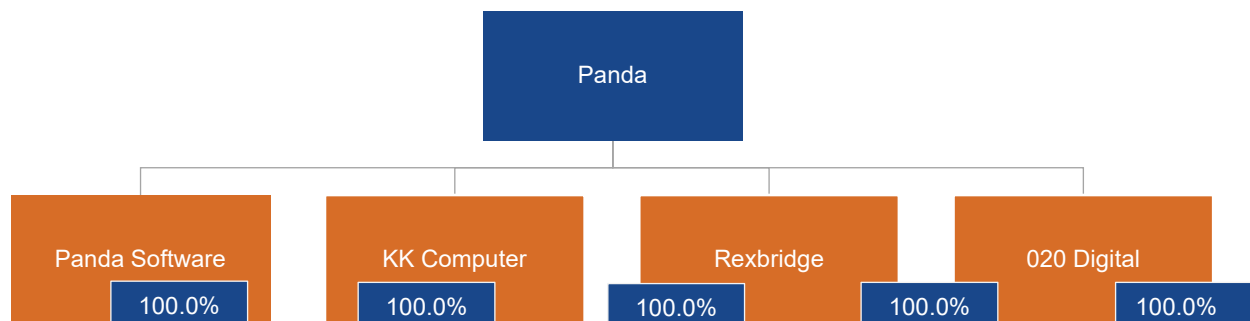


## IPO Details

	Public issue (m)	Offer for sale (m)	Total (m)	(%)
Malaysian public	33.6	-	33.6	5.0
Pink form allocations	42.8	-	42.8	6.4
Private placement to Bumiputera investors approved by MITI	-	-	-	-
Private placement to selected investors	32.9	61.8	94.7	14.1
<b>Total</b>	<b>109.3</b>	<b>61.8</b>	<b>171.1</b>	<b>25.5</b>

Source: Company

## Group Structure Post Listing



Source: Company

## Peer Comparison

Company	Bloomberg Ticker	Share Price (RM)	Market Cap (RM m)	LTM P/E (x)	EPS (sen)	EPS Growth	P/BV (x)
AGMO HOLDINGS	AGMO MK	0.53	173.9	27.7	0.02	-	4.0
AUTOCOUNT	ADB MK	0.64	349.6	21.5	0.03	-	7.1
INFOMINA BERHAD	INFOM MK	1.70	1,022.1	22.9	0.07	-	8.5
INFOLINE TEC GROUP BHD	INFOTEC MK	0.83	301.5	19.8	0.04	-	5.5
<b>LTM P/E AVG</b>				<b>22.9</b>			

Source: Mercury Securities, Yahoo Finance



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