



Critical Holdings Bhd

IPO Note - "Engineering expertise on critical facilities"

ACE Market
Industrial Sector
SUBSCRIBE
IPO Price: RM0.35
Fair Value: RM0.52

Valuation / Recommendation

We have a SUBSCRIBE recommendation on Critical Holdings Bhd with a fair value price of RM0.52 based on FY24F EPS of 4.0 sen and a PE of 12.9x which is a 30% discount to the peer's average PE in the industrial engineering sub-sector.

We like the stock for its attractive growth prospect on the back of a growing MEP engineering industry that is expected to increase from RM6.6bn to RM10.1bn, at a 15.2% CAGR from 2022 to 2025 forecasted by Providence. The target price represents a potential return of 48.6% over the IPO price.

Investment Highlights

Strong client base. Critical Holdings specializes in tailored MEP engineering solutions for a robust client base, primarily comprising multinational corporations (MNCs) operating critical facilities such as plant rooms, data centers, and cleanrooms in Malaysia. Notably, 67.4% of its revenue comes from its top five clients. In FY22, Critical served 113 clients, and this increased to 137 in FY23 across diverse sectors such as semiconductors, data centers, telcom, hotels, and medical facilities. The company boasts a strong 69% and 73% repeat client rate in FY22 and FY23, respectively, highlighting strong client loyalty.

Regional expansion. The company plans to set up a new regional office in the Klang Valley, where they intend to allocate 1,500 sq ft as a dedicated area to be utilized as a testing facility for their MEP equipment and systems. This plan is expected to be completed in 24 months. This expansion plan would enable Critical to take on additional business opportunities and qualify for potential new customers in the central to southern region.

The company also plans to utilize proceeds to recruit 51 new personnel (34 in Northern, 17 in Central) to expand their sales and technical team. This plan would enable the company to enhance their in-house capacity to undertake more jobs for their expansion plan whilst strengthening their MEP maintenance and services business segment.

Solid orderbook. The company has an unbilled order book amounting to RM264.6 million as of the last reporting date (LPD), which is expected to provide earnings visibility until FY2026. Of the unbilled order book, RM225.8m comes from contracts in the northern region (Penang and Kedah), while RM38.7m is attributed to the central and southern regions (Selangor, KL, & Johor).

Experienced management team. The company has an experienced management team spearheaded by ED/CEO Ir. Tan Si Lim and Ir. Chow Chin Seang who have combined 40 years of experience in business and MEP engineering solutions service industry.

Risk factors. (1) Inability to secure new projects will affect future financial performance. (2) Project delays, project cost overruns and credit risks. (3) Dependency on skilled workforce labour.

Investment Statistics	FY21	FY22	FY23	FY24F	FY25F
Revenue (RM m)	53.7	107.3	150.9	198.4	228.3
EBITDA (RM m)	6.7	11.2	14.1	20.2	23.2
PAT (RM m)	4.8	7.9	9.6	14.8	17.2
PAT Margin (%)	8.9	7.4	6.4	7.5	7.5
EPS (sen)	1.3	2.1	2.6	4.0	4.6
EPS Growth (%)	-	65.9	21.4	54.6	15.9
BV Per Share (sen)	0.1	0.1	0.1	0.2	0.2
PE (x)	27.3	16.5	13.6	8.8	7.6
Net Gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
ROA	18.5	14.5	17.0	11.3	12.5
ROE	53.4	53.3	43.6	22.3	21.6

Business Overview

Critical Holdings Bhd is a Metal, Electrical and Process (MEP) utilities design and engineering solutions firm specializing in MEP engineering solutions and maintenance services for critical facilities, including data centers, cleanrooms, and manufacturing plants. They offer design, build, project management, and maintenance support, ensuring resilient infrastructure for uninterrupted essential services. The company serves clients in semiconductor, pharmaceutical, solar, data center, telecom, hotel, and medical sectors.

Listing Details

Listing date	18 Dec 2023
New shares (m)	74.4
Offer for sale (m)	37.1
Funds raised	26.0

Post Listing

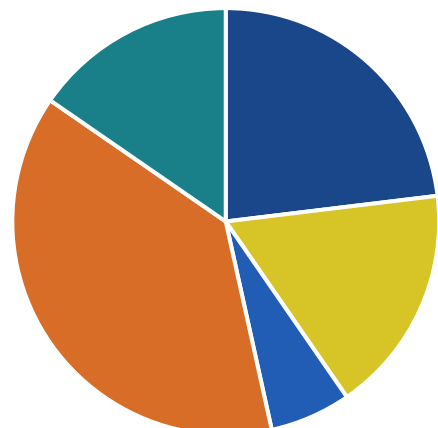
Ordinary shares (m)	371.7
Market cap (RM M)	130.1
Free float	30%
P/E (FY23)	8.8x

Top 3 Shareholders

Ir. Tan Si Lim	35.0%
Ir. Chow Chin Seang	35.0%

Utilisation of Proceeds

	RM'mil
Acquisition of new regional office	6.0
Expansion of sales and technical team	4.5
Capital expenditure	1.6
Working capital	9.9
Estimated listing expenses	4.0



Source: Mercury Securities, Bloomberg

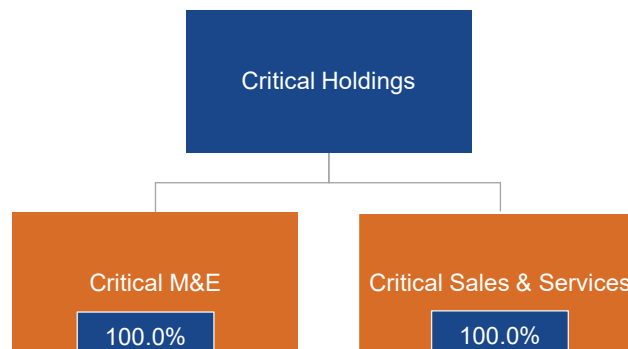


IPO Details

	Offer for sale (m)	Public Issue (m)	Total (m)	(%)
Malaysian public	-	18.6	18.6	5.0
Pink form allocations	-	3.7	3.7	1.0
Private placement to Bumiputera investors approved by MITI	-	46.5	46.5	12.5
Private placement to institutional and selected investors	37.1	5.7	42.8	11.0
Total	37.1	74.4	111.6	30.0

Source: Company

Group Structure Post Listing



Source: Company

Peer Comparison

Company	Bloomberg Ticker	Share Price (RM)	Market Cap (RM m)	P/E (x)	EPS (sen)	EPS Growth (%)	P/BV (x)
KINERGY	KASB MK	0.37	709.9	24.7	0.2	-40.7	4.3
PANSAR	PNSR MK	0.66	308.3	16.8	1.9	845.0	2.5
KKB	KKB MK	1.42	409.9	13.8	0.04	-59.7	1.0
			PE AVG	18.4			

Source: Mercury Securities, Bloomberg



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