



Pentamaster Corporation Berhad

Leveraging Strong Growth in MedTech Sector

Bloomberg: PENT MK | Stock Code: 7160

Main Market
Technology Equipment sector
BUY
TP: RM5.53
Last Closing Price: RM4.20
Initiated Price: RM3.59

Valuation / Recommendation

Results were below expectations, achieving 95.9% and 81.4% of our full year revenue and profit forecasts for FY23 respectively, with the shortfall attributed to timing issues in recognizing revenue from certain projects in the ATE and FAS segments, alongside a higher net loss on foreign exchange.

We maintain a BUY recommendation on Pentamaster with a TP of RM5.53 based on FY24F EPS 16.7 sen and a PE of 33x and introduced our FY25F earnings. We like the stock for its attractive expansion plans into the medical segment. It is well positioned to benefit from the growing Medical Devices industry in Malaysia, which Statista forecasts to grow at a 4-year CAGR of 7.8% from 2024 to 2028. The target price represents a potential return of 31.6% over the current price.

Investment Highlights

The Automotive segment persists as a crucial revenue contributor. In the ATE segment, automotive retained its position as the largest revenue source, comprising around 61.1% of total revenue in 4Q2023. Over the 12-month period, automotive's contribution to the ATE segment increased significantly to approximately 71.7% in FY23. This growth was driven by the Company's focus on wafer level burn-in testers for Silicon Carbide (SiC) and assembly and test solutions for hybrid pack power modules. We think that the automotive and medical segment sectors will remain the primary catalysts for company revenue in FY24, compensating for reduced contribution from the electro-optical segment due to the global smartphone market's slowdown.

Further progress in the expansion into the medical sector. The Company is strategically poised to capitalize on opportunities within the medical industry by utilizing its FAS segment, in response to increasing global manufacturing demands for higher precision automation and improved productivity and quality standards. Furthermore, the Company's presence in Germany will also facilitate its expansion into the MedTech sector, particularly targeting countries such as the United Kingdom and Ireland.

Construction is currently ongoing for Campus 3 in Batu Kawan, spanning 720,000 square feet. Phase one and phase two, which include the establishment of two manufacturing plants, are slated for completion by 1QFY25. Given the expected completion of Campus 3 by the first quarter of FY25, we think that the company is in a strong position to strengthen its medical segment and attain its targeted RM1 billion revenue by FY25, taking advantage of the estimated 8% compound annual growth rate (CAGR) projected by Statista for the medical devices industry in Malaysia from 2024 to 2028.

Healthy order book. The company's order book as at 4QFY23 is RM450 million, with the medical segment topping the automotive segment.

Risk factor. (1.) Rising raw material prices (2.) Skilled-labour shortages

Investment Statistics	FY21	FY22	FY23	FY24F	FY25F
Revenue	508.4	600.6	691.9	873.5	936.6
EBITDA (RM m)	86.1	94.8	107.8	140.3	155.0
PATMI (RM m)	72.9	82.5	89.1	118.4	131.5
Profit Margin (%)	14.3	13.7	12.9	13.6	14.0
EPS (sen)	10.3	11.6	12.5	16.7	18.5
EPS Growth (%)	2.9	13.1	8.1	32.9	11.0
BV Per Share (sen)	111.9	125.5	141.4	145.5	160.9
PE (x)	48.7	43.0	37.3	26.4	23.8
Dividend Yield (%)	0.4	0.5	0.5	0.8	0.8
Net Gearing (%)	-59.8	-47.2	-48.8	-56.6	-60.4
ROA	7.4	7.1	6.8	8.0	8.3
ROE	9.2	9.2	8.9	11.4	11.5

Business Overview

Pentamaster Corporation Berhad is an investment holding company. The Company, through its subsidiaries, manufactures automated and semi-automated machines and equipment, designs and manufactures precision machinery components, as well as assembles and installs computerized automation systems and equipment.

Stock Information

KLCI (pts)	1539.27
Expected Share Return (%)	31.6%
Expected Dividend Yield (%)	0.8%
Expected Total Return (%)	32.4%

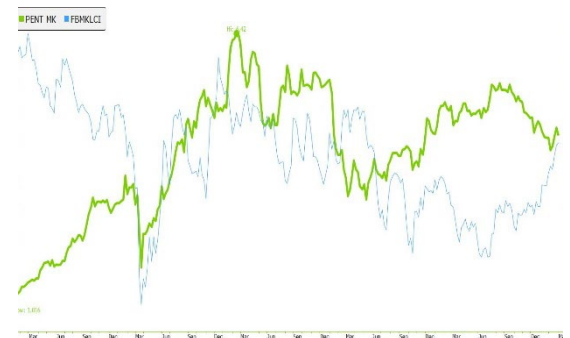
Price Performance	1M	3M	12M
Absolute (%)	0.9%	-7.4%	-7.6%
Relative to FBMKLCI (%)	6.1%	6.0%	1.8%

Stock Return Information

Market Cap (RM m)	3030.2
Issued Shares (m)	711.3
52W High (RM)	5.56
52W Low (RM)	3.95
Estimated Free Float (%)	48.4
Beta vs FBM KLCI	1.01
3-month Average Vol. (m)	1.34

Top 3 Shareholders

Chuah Chun Bin	19.76
EPF Board	8.55
KWAP	5.99



Source: Mercury Securities, Bloomberg



Quarter Results & Peer Comparisons

Quarter Results Comparison (RM m)

FY Dec	4Q23	3Q23	QOQ%	4Q22	YOY%
Revenue	169.0	180.7	-6.5	147.7	14.4
COGS	115.6	126.2	-8.4	102.9	12.3
Gross Profit	53.4	54.6	-2.2	44.7	19.5
Other Income	9.95	6.3	57.9	24.8	-59.9
Selling & Distribution Expenses	2.0	2.9	-31.0	2.2	-9.1
Admin Expenses	29.7	19.8	50.0	29.6	0.3
Other losses - net	0.3	0.1	200.0	0.0	-
Operating Profit	31.3	38.2	-18.1	37.7	-17.0
Finance Income	0.0	0.0	-	0.0	-
Finance Costs	0.0	0.0	-	0.0	-
Income (Loss) from Affiliates	0.0	-0.6	-100.0	0.8	-100.0
Profit Before Tax	31.3	37.5	-16.5	36.9	-15.2
Tax Expense	1.6	0.9	77.8	1.0	60.0
Net profit	32.9	36.7	-10.4	35.9	-8.4
Core net profit	32.9	36.7	-10.4	35.9	-8.4
EPS (sen)	2.91	3.30	-11.8	3.2	-9.1
Core EPS	2.91	3.30	-11.8	3.2	-9.1

Source: Mercury Securities, Bloomberg

Peer Comparison

Company	Bloomberg Ticker	Share Price (RM)	Market Cap (RM m)	P/E (x)		EPS (sen)		EPS Growth		P/BV (x)	
				FY24F	FY25F	FY24F	FY25F	FY24F	FY25F	FY24F	FY25F
Malaysian Pacific Industries Bhd	MPI MK	28.42	5649.6	43.6	23.9	72.0	128.0	267.35	77.78	2.87	2.70
Greatech Technology Bhd	GREATEC MK	4.78	5995.1	29.0	24.8	16.9	19.3	37.18	14.20	6.52	5.20
Mi Technovation Bhd	MI MK	1.84	1644.2	27.1	21.3	6.9	7.4	37.76	21.18	7.62	0.11
				33.2	23.3						

Source: Mercury Securities, Bloomberg



Key Financial Data

PROFIT & LOSS (RM m) FY Dec	FY21	FY22	FY23	FY24F	FY25F
Net Revenue	508.4	600.6	691.9	873.5	936.6
Gross Profit	152.6	183.2	207.5	262.1	285.7
Other Operating Income	20.4	18.8	22.4	28.8	30.9
EBIT	81.9	89.0	96.3	133.3	148.0
Administrative Expenses	41.1	57.9	78.6	76.0	81.5
Selling & Distribution Expenses	10.6	10.0	9.3	19.2	20.6
Other Operating Expenses	0.2	0.3	0.6	0.4	0.5
Profit from operations	121.0	133.8	141.4	195.2	214.0
Interest Income	0.0	0.0	0.0	0.0	0.0
Interest Expense	0.1	0.1	0.0	0.0	0.0
Profit Before Tax	119.5	132.1	141.4	195.3	214.0
Exceptional Items	-	-	-	-	-
Taxation	3.8	1.5	1.0	7.8	8.6
Minority Interests	42.7	48.1	51.4	69.0	74.0
Profit After Tax (PATMI)	72.9	82.5	89.1	118.4	131.5
Preferred Dividends / Adjustments	-	-	-	-	-
Recurring Net Profit	72.9	82.5	89.1	118.4	131.5
BALANCE SHEET (RM m) FY Dec	FY21	FY22	FY23	FY24F	FY25F
Cash & Equivalents	478.2	421.2	490.9	585.6	690.8
Trade & Other Receivables	181.4	298.3	241.4	282.0	268.9
Inventories	72.0	170.9	190.6	222.1	217.3
Other Current Assets	2.1	3.5	4.8	5.8	4.0
Current Assets	733.7	894.0	927.7	1095.6	1181.0
Property, Plant & Equipment	135.2	170.0	282.0	296.0	308.0
Other Non-Current Assets	115.6	94.2	108.2	92.6	100.0
Non-Current Assets	250.8	264.2	390.2	388.6	408.0
Trade & Other Payables	116.9	153.3	162.5	227.4	246.3
Other Current Liabilities	65.5	108.3	140.3	216.9	190.2
Current Liabilities	182.5	261.7	302.8	444.2	436.5
Other Non-Current Liabilities	6.4	3.8	9.5	4.8	8.1
Non-current Liabilities	6.4	3.8	9.5	4.8	8.1
Share Capital	79.3	79.3	79.3	79.3	80.3
Retained Profits	488.4	547.5	620.1	714.9	820.1
Other Equity	227.9	266.0	306.1	240.9	241.9
Total Equity	795.6	892.7	1005.6	1035.1	1144.3
CASH FLOW (RM m) FY Dec	FY21	FY22	FY23	FY24F	FY25F
Profit Before Tax	113.1	119.5	132.1	141.4	195.3
Other Operating Cash Flow	-3.0	1.1	-9.4	-5.8	-5.2
Changes in Working Capital	0.2	-107.7	68.5	61.9	9.6
Others	-3.7	-4.3	-2.9	-7.6	-8.5
Cash Flow from Operations	122.2	31.9	215.9	257.8	225.9
Other Investing Cash Flow	-62.6	-46.7	-105.7	-32.9	-28.2
Cash Flow from Investing	-62.6	-46.7	-116.8	-32.9	-28.2
Dividends Paid	-17.0	-23.9	-24.2	-23.7	-26.3
Other Financing Cash Flow	-2.6	-19.5	-5.6	-2.6	1.4
Cash Flow from Financing	-19.6	-43.4	-29.7	-26.3	-24.9



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