

DATE : 07 OCT 2024
PUBLICATION : THE EDGE
SECTION : CAPITAL
HEADLINE : KHPT AND CREST GROUP — ACE MARKET'S HIGHLY OVERSUBSCRIBED DUO
CATEGORY : MENTIONED
MEASUREMENT : 189 CM²
TONE : NEUTRAL
REMARKS : N/A

KHPT and Crest Group — ACE Market's highly oversubscribed duo

BY LIEW JIA TENG

KHPT Holdings Bhd and Crest Group Bhd — scheduled to be listed on Tuesday (Oct 8) and Wednesday (Oct 9) respectively — will be the 28th and 29th company to float shares on the ACE Market of Bursa Malaysia this year.

Automotive parts and components manufacturer KHPT says the 20.12 million shares available to the Malaysian public via its initial public offering (IPO) were oversubscribed by 124.13 times as it received 28,532 applications for a total of 2.52 billion shares.

KHPT's IPO involves a public issue of 108.64 million shares and an offer for sale of 38.23 million shares, with the aim of raising up to RM29.38 million. In total, the listing offers investors a 27% stake in the Selangor-based company. At an IPO price of 20 sen per share, its market capitalisation is estimated at RM80.48 million.

As for imaging, analytical and test equipment firm Crest Group, it recorded an oversubscription of 73.88 times for its 43.28 million shares available to the Malaysian public. Its IPO attracted 33,826 applications for a total of 3.24 billion shares.

Crest Group's IPO comprises a public issuance of 130.71 million new shares alongside an offer for sale of 103.89 million shares, potentially raising up to RM82.11 million. Investors are set to own 27.1% of the company. At an IPO price of 35 sen per share, its market capitalisation will be RM303 million.

Supplier to national car makers for over two decades

KHPT has established itself as a significant player in the automotive parts and components sector, having served Malaysia's leading car manufacturers Proton Holdings Bhd and Perusahaan Otomobil Kedua Sdn Bhd (Perodua) for more than 20 years. The company's product line includes automotive body parts, seat structures and customised engine components, which are sold directly to the national car makers or through their Tier-1 manufacturers.

In a Sept 19 press conference, KHPT managing director Datin Eloise See reaffirmed the company's focus on serving domestic car makers for the present, given the substantial market share held by Proton and Perodua, which collectively account for 60% of the country's total industry volume (TIV).

"For now, we still have a lot of opportunities [with Proton and Perodua's TIV of 60% in the local market]. That's why we are still focused on this [Malaysian market]," she said.

KHPT has supplied Proton and Perodua for 29 and 24 years respectively. Its business model is anticipated to grow in tandem with local automotive manufacturers, especially with the release of newly upgraded vehicle models. Nevertheless, the company has not ruled out expanding its customer base to include foreign car makers if the opportunity arises.

Addressing the rise of electric vehicles (EVs), See expressed optimism about the relevance of KHPT's products across all vehicle types. "No matter the vehicle — [whether it is powered by] petrol, hybrid or EV — [there will always be a demand]

for car seats, body structures and adornments," she observed.

KHPT's IPO price translates into 14.45 times earnings per share (EPS) of 1.38 sen for the financial year ended Dec 31, 2023 (FY2023), based on an audited profit after tax of about RM5.53 million.

The company recorded a one-off impairment loss of RM1.03 million on a non-current asset held for sale. Excluding this impairment, its profit after tax would have been RM6.56 million, translating into an adjusted EPS of 1.63 sen and a price-earnings ratio (PER) of 12.26 times the IPO price.

KAF Investment Bank Bhd is acting as the principal adviser, sponsor, underwriter and placement agent for the IPO.

In an Oct 3 research report, Rakuten Trade Research had a "buy" call on KHPT

and ascribed the stock a fair value of 28.5 sen, premised on a weighted average of 15 times PER on FY2025 EPS.

"We expect FY2023-FY2026 earnings to grow by 7%, underpinned by solid demand of the affordable segment, gradual expansion of manufacturing capacity, as well as economic recovery and increasing disposable income," the research house said.

Rakuten Trade Research is of the view that KHPT's future growth strategy includes expanding its manufacturing capacity by establishing a new automated body parts production line, incorporating automation technologies such as robotic arms to enhance production efficiency. "This expansion is expected to reduce labour requirements and boost annual manufacturing capacity by 83.3% or 2.26 million pieces."

KHPT IPO details

Issue price	20 sen
Paid-up capital	RM53.45 million
IPO valuation (Price-earnings ratio)	14 times
Controlling shareholders	55%
Subscription rate (public portion)	124 times
Fair Value	28.5 sen (Rakuten Trade Research)
Market	ACE
Listing Date	Oct 8

Financial highlights

	FY2021	FY2022	FY2023
Revenue (RM mil)	58.96	116.24	114.08
Net profit (RM mil)	0.15	8.79	5.53
EPS (sen)	0.04	2.19	1.38
Dividend per share (sen)*	NA	0.99	0.24
Dividend yield (%)**	NA	4.95	1.2

* Based on enlarged share base of 402.38 million

** Based on IPO price of 20 sen/share

FY ended Dec 31

Crest Group IPO details

Issue price	35 sen
Paid-up capital	RM82.49 million
IPO valuation (Price-earnings ratio)	13 times
Controlling shareholders	55%
Subscription rate (public portion)	74 times
Fair Value	55 sen (Mercury Securities)
Market	ACE
Listing Date	Oct 9

Financial highlights

	FY2021	FY2022	FY2023
Revenue (RM mil)	148.41	170.20	187.62
Net profit (RM mil)	17.37	17.98	20.09
EPS (sen)	2.36	2.44	2.73
Dividend per share (sen)*	2.62	2.93	2.09
Dividend yield (%)**	7.48	8.37	5.97

* Based on enlarged share base of 865.59 million

** Based on IPO price of 35 sen/share

FY ended Dec 31

Setting up new offices in Vietnam and China

Crest Group specialises in providing imaging, analytical and testing solutions for quality inspection, sample analysis and research and development for various industries, including semiconductor, electrical and electronics, and automotive.

Malaysia contributed 37.6% to Crest Group's total revenue for the financial year ended Dec 31, 2023 (FY2023), with its operations extending to China, Thailand and Singapore.

Proceeds from its IPO are anticipated to significantly bolster the group's growth strategy. It is raising fresh capital of RM45.75 million from the issuance of new shares, allocating RM14.52 million for establishing new offices in Ho Chi Minh City in Vietnam and Chengdu and Shenzhen in China.

MIDF Amanah Investment Bank Bhd is the principal adviser, sponsor, underwriter and placement agent for the IPO.

"We are actively identifying suitable office spaces. We will gradually begin recruiting personnel after," Crest Group managing director Lim Siong Wai reportedly said on Sept 18. The group also allocated RM3.6 million to expand its technical support and maintenance teams, RM5.87 million for the acquisition of additional demonstration equipment and RM15.76 million for a new centralised headquarters in Selangor.

From January to April 2024 (4MFY2024), the group posted a profit after tax of RM2.93 million on revenue of RM49.52 million. Its profit after tax came in at RM20.1 million in FY2023, on revenue of RM187.62 million.

In a Sept 23 research note, Mercury Securities ascribed a fair value of 55 sen per share to Crest Group, on the back of expected earnings growth in the next two years, underpinned by its growing regional footprint.

The valuation is based on a PER of 20 times and EPS of 2.7 sen for FY2023, said the firm. "Our target PER is based on a 20% discount to the average valuation of its peers to account for its smaller market capitalisation."

Mercury Securities has forecast revenue growth of 8% to 13% to RM207.7 million in FY2024, RM227.2 million in FY2025 and RM249.1 million in FY2026 for Crest Group. However, the group's EPS is expected to decline from 2.5 sen in FY2023 to 2.3 sen in FY2024, before rebounding to 2.7 sen in FY2025 and three sen in FY2026, based on its forecasts.

"Looking ahead, we anticipate that Crest will be able to hold its gross profit margin at 29% as the global semiconductor industry continues to recover and the ringgit strengthens further," said the firm.

Performance of 2024 IPOs as at Oct 3

COMPANY	LISTING DATE	IPO PRICE (RM)	FIRST-DAY CLOSING PRICE (RM)	FIRST-DAY SHARE PRICE PERFORMANCE (%)	LAST PRICE AS AT OCT 3 (RM)	PRICE CHANGE SINCE IPO (%)	PER AT IPO (TIMES)	MARKET CAP (RM MIL)
MAIN MARKET								
Prolintas Infra Business Trust	March 25	0.95	0.97	2.11	0.94	-1.58	4.06	1,028.50
Keyfield International Bhd	April 22	0.9	1.93	114.44	2.28	153.33	14.8	1,831.04
MKH Oil Palm (East Kalimantan)	April 30	0.62	0.62	-0.81	0.61	-2.42	20.3	617.59
Feytech Holdings Bhd	May 21	0.8	1.1	37.5	0.86	7.5	15.37	725.15
Johor Plantations Group Bhd	July 7	0.84	0.9	7.14	0.99	17.26	12.5	2,462.50
Well Chip Group Bhd	July 23	1.15	1.72	49.57	1.43	24.35	19.5	858.00
99 Speed Mart Retail Holdings	Sept 9	1.65	1.88	13.94	2.28	38.18	34.7	19,152.00
ACE MARKET								
KJTS Group	Jan 26	0.27	0.5	85.19	0.63	131.48	26	430.00
Master Tec Group	Jan 29	0.39	0.36	-7.69	1.08	176.92	20.31	1,101.60
HE Group Bhd	Jan 30	0.28	0.33	16.07	0.58	107.14	20	255.20
TSA Group Bhd	Feb 2	0.55	0.58	4.55	0.81	47.27	4.23	250.53
Wentel Engineering Holdings Bhd	Feb 6	0.26	0.28	7.69	0.3	15.38	14.61	345.00
AGX Group Bhd	Feb 7	0.35	0.36	2.86	0.55	57.14	11.18	238.08
Alpha IVF Group Bhd	March 22	0.32	0.32	0	0.36	10.94	29.2	1,725.30
Zantat Holdings Bhd	March 27	0.25	0.38	50	0.35	40	12.9	98.00
SBH Marine Holdings Bhd	April 8	0.22	0.26	15.91	0.26	18.18	14.97	230.88
Topmix Bhd	April 23	0.31	0.42	35.48	0.49	56.45	14.29	191.02
Farm Price Holdings Bhd	May 14	0.24	0.41	70.83	0.56	133.33	12.44	252.00
Sin-Kung Logistics Bhd	May 15	0.13	0.14	7.69	0.18	38.46	24.3	216.00
Smart Asia Chemical Bhd	May 28	0.4	0.46	15	0.3	-25	16.67	110.96
Kawan Renergy Bhd	May 29	0.3	0.47	55	0.59	95	12.4	321.75
KTI Landmark Bhd	June 19	0.3	0.29	-5	0.26	-13.33	17.4	208.00
Agricore CS Holdings Bhd	June 21	0.5	0.88	75	0.52	3	14.9	104.44
LUUE Holdings	July 2	0.24	0.7	189.58	0.645	168.75	10.3	392.35
Go Hub Capital	July 3	0.35	0.95	171.43	1.04	197.14	19.77	416.00
Ocean Fresh	July 4	0.28	0.77	175	0.31	10.71	8.47	65.15
BWVS Group	July 22	0.22	0.35	59.09	0.25	11.36	12.9	251.18
Kucingko Bhd	July 26	0.3	0.57	90	0.32	6.67	17.95	160.00
Sik Cheong	Aug 13	0.27	0.36	33.33	0.225	-16.67	11.35	59.85
Eiridge Energy Holdings Bhd	Aug 22	0.29	0.4	37.93	0.39	34.48	24.61	780.00
EPB Group Bhd	Aug 23	0.56	0.62	10.71	0.575	2.68	14.62	213.90
Veteche Holdings Bhd	Aug 28	0.25	0.41	62	0.36	42	14.93	139.16
Steel Hawk Bhd	Sept 5	0.15	0.35	130	0.29	93.33	10	116.00
Solar District Cooling Group Bhd	Sept 19	0.38	0.505	32.89	0.465	22.37	5.99	197.08