

## MONEY TALK

### Cape EMS (CEB MK)

Up And Rising EMS Hero With A Cape; Showcasing Cape-Ability

**CAPE, a fast-rising EMS player with strategic exposure to both the industrial and consumer sectors, is listing at an undemanding 15.0x 2023F PE. We see multiple legs of growth that can supercharge a three-year revenue/core net profit CAGR of 25%/32%, premised on its strategic portfolio exposure, trade diversion-related supply chain reconfiguration and aggressive expansionary plans. Initiate coverage with BUY. Target price: RM1.60.**

#### INVESTMENT HIGHLIGHTS

- Reaping fruits after years of restructuring.** The success of Cape EMS (CAPE) today, which saw an impressive three-year net profit CAGR of 106% from 2019, can be traced back to 2013 when the key person, CEO Christina Tee, acquired majority stakes with a partner followed by a major restructuring. Started anew with the right platforms in place, the group rejigged its product portfolio to skew towards industrial-centric exposure and ventured into aluminium die cast manufacturing to complement its electronics manufacturing services (EMS) business which was subsequently followed by high-value business. CAPE has been reaping gains since then with meaningful loadings from its key customers, which have made CAPE the preferred partner amid the trade diversion.
- Strategic portfolio exposure to weather industry weakness.** CAPE's strategic portfolio exposure of 60:40 between the industrial electronic and consumer electronic segments has come to fruition, especially with the current economic downturn. The industrial electronic segment, with products ranging from wireless communication equipment (18%), POS terminals (20%), smart utility data collection equipment (13%) and others (8%), is relatively more recession proof, and is expected to extend the company's CAGR momentum (two-year CAGR from 2022 of 28%). In particular, its wire communication equipment could be spearheading double-digit growth from 2023 onwards following a new replacement cycle alongside equipment deployment into new markets. Meanwhile, Customer A in the consumer electronics segment, which carries the highest gross margin, could continue to anchor one-fourth of total revenue going forward. CAPE has unbilled purchase orders of RM358.7m (112% of 9M22 revenue) alongside two new EMS customers that are expected to drive growth further in 2023.
- Upping the ante to capture sea of opportunities.** While CAPE is running at 60% capacity utilisation rate, the group has been enjoying decent margins thanks to the high profitability of its key products. While indication from the outstanding purchase orders suggests a higher utilisation which could reap better margins going forward, the group continues to enhance its capabilities vertically to enhance profitability. Out of the RM155.7m gross proceeds raised, 34% will be allocated to the construction of a new warehouse and installation of automated storage facilities to improve process yield, while 40% will be allocated for a new cleanroom facility setup and purchase of new automated production lines which will enable it to take up higher-value businesses.
- Initiate coverage with BUY and target price of RM1.60,** based on 20.0x 2024F PE which is trading on a par with its closest industry peers' average forward PE. Listing at 15.0x 2023F PE with an IPO price of RM0.90, CAPE has ample upside from here and we also expect a three-year net profit CAGR of 32% from 2022. Meanwhile, such an undemanding PE represents a 40-50% discount from its closest peers – Aurelius Technologies and NationGate. Blue-sky valuation if pricing CAPE at 1x PEG ratio suggests a potentially higher target price of RM1.98 (at 25x 2024F PE).

#### KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net Turnover	344.3	438.0	647.4	785.1	863.2
EBITDA	41.3	67.8	92.0	124.7	131.4
Operating Profit	30.7	49.5	69.8	99.1	106.0
Net Profit	26.3	33.5	49.5	72.7	77.4
Net Profit (Adjusted)	26.3	33.5	56.1	72.7	77.4
EPS (sen)	2.8	3.6	6.1	7.9	8.4
PE (x)	31.6	24.8	14.8	11.4	10.7
P/B (x)	4.9	4.3	2.2	1.9	1.7
EV/EBITDA (x)	20.3	12.4	9.1	6.7	6.4
Dividend Yield (%)	0.0	(1.6)	2.0	2.6	2.8
Net Margin (%)	7.6	7.7	8.7	9.3	9.0
Net Debt/(Cash) to Equity (%)	31.5	49.9	2.0	1.0	(9.5)
Interest Cover (x)	(5.8)	(5.7)	(7.3)	(9.3)	(9.1)
ROE (%)	15.5	17.2	14.5	16.6	15.8

Source: CAPE, Bloomberg, UOB Kay Hian

## BUY

### (Initiate Coverage)

Share Price	RM0.90
Target Price	RM1.60
Upside	77.8%

#### COMPANY DESCRIPTION

CAPE EMS is principally an investment holding company and is involved in electronics manufacturing services. Through its subsidiaries, it is also involved in aluminium die casting and electronics manufacturing services, and supply of electronic products and related activities.

#### STOCK DATA

GICS sector	Electrical Components
Bloomberg ticker	CEB MK
Shares issued (m)	923.0
Market cap (RMm)	830.7
Market cap (US\$m)	185.4
3-mth avg turnover (US\$m)	n.a.

#### ANALYST

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## INVESTMENT HIGHLIGHTS

**Reaping fruits after years of restructuring.** CAPE recorded an impressive three-year net profit CAGR of 106% from 2019. The company's success can be traced back to 2013 when CEO Christina Tee acquired 12.0m shares, representing 60.0% equity interest in the company (then known as Toyoplas EMS Manufacturing (M)) for a purchase consideration of RM12.0m from Lim Lai An, and Alex Miranda Juntado acquired the remaining 8.0m shares, representing 40.0% equity interest in the company (then known as Toyoplas EMS Manufacturing (M)) for a purchase consideration of RM8.0m from Lim Lai An and Lim Hui Bian.

Tee Kim Chin and Alex Miranda Juntado became the Directors of the company in May 2013. Following further allotment of 18.0m shares to Tee Kim Chin in Mar and Sep 20, and the allotment of 2.0m shares to Alex Miranda Juntado in Mar 20, Tee Kim Chin's and Alex Miranda Juntado's equity interests in the company were 75.0% and 25.0% respectively.

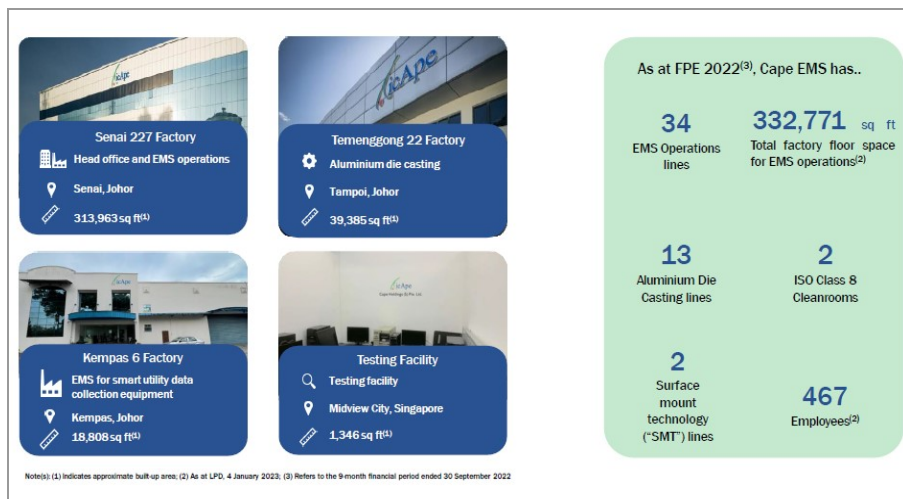
In Jul 13, the company changed its name from Toyoplas EMS Manufacturing (M) to Cape EMS Manufacturing (M) and continued with the provision of electronics manufacturing services (EMS) for industrial electronic products, mainly wireless communication equipment, as its principal activity. In Jan 20, the company acquired the beneficial interest of the entire share capital of: i) Cape Manufacturing from Tee Kim Chin and Alex Miranda Juntado for a purchase consideration of approximately RM3.8m and approximately RM1.8m respectively; and ii) Cape Singapore from Tee Kim Chin and Alex Miranda Juntado for a purchase consideration of S\$0.3m and S\$0.2m respectively.

In Jul 21, Alex Miranda Juntado disposed of all of his equity interest amounting to 25.0% of the equity interest in the company to Tee Kim Yok for a sale consideration of RM10.0m. On 9 May 22, the company was converted into a public limited company under the name of Cape EMS Manufacturing (M). The company assumed its present name on 27 May 22.

The group has three factories in Senai, Tampoi and Kempas of Johor and one testing facility in Midview City, Singapore. The total factory floor space for EMS operations is 332,771sf with 34 EMS operations lines, 13 aluminium die casting lines and 2 SMT lines.

*2019 – year of huge turnaround anchored by customers' meaningful loadings and capacity expansion amid US-China trade diversion*

FIGURE 1: MANUFACTURING FACILITIES



Source: CAPE

**The best of both worlds to weather industry weakness.** The strategic exposure skewing more towards the industrial electronic segment vis-a-vis consumer electronic segment (60:40) has enabled the group to tap on an overall larger addressable market to sustain and grow its business vis-a-vis only one industry. In addition, by serving two industries, the group can mitigate, to a certain extent, against unfavourable business conditions in one industry, especially amid the current global economic slowdown. The industrial electronic segment – with products ranging from wireless communication equipment (18%), POS terminals (20%), smart utility data collection equipment (13%) and others (digital vending machines, portable printer power desks; 8%) – is more recession proof, and is expected to extend the company’s CAGR momentum (two-year CAGR from 2022 of 28%). In particular, its wire communication equipment could spearhead high double-digit growth from 2023 onwards following a new replacement cycle alongside equipment deployment into new markets.

*Strategic exposure to two industries helps mitigate against unfavourable business conditions in either industry*

FIGURE 2: MAJOR CUSTOMERS FOR FPE 2022

	Country	Products	Business Relationship*	Revenue Contribution	
				(RM mil)	(%)
Customer A		Electronic cigarettes	3 Years	86.6	27.1
Taster Electronics Pte Ltd 		POS terminals	3 Years	63.2	19.8
Airspan group of companies 		Wireless communication equipment	4 Years	58.8	18.4
NextCentury Submetering Systems, LLC 		Smart utility data collection equipment	3 Years	40.2	12.6
K & Q Pte Ltd		Household appliances	4 Years	35.0	10.9
<b>Total Revenue Contributed by Major Customers in FPE 2022</b>				<b>283.8</b>	<b>88.8</b>

\*Length of the relationship as at FPE 2022. The length of relationship with our major customers range from 3 to 4 years as the Group placed emphasis on its marketing efforts to expand its EMS business which started in 2019 after the company moved into the Senai 227 Factory.

Source: CAPE

**Upping the ante to capture sea of opportunities.** While CAPE is running at a 58.6% capacity utilisation rate, the group has been enjoying decent margins thanks to the profitability of its key products. While indication from the outstanding purchase orders points to a higher utilisation which could reap better margins going forward, the group does not rest on its laurels. Note that out of the RM155.7m gross proceeds raised, 34% will be allocated to the construction of a new warehouse and installation of automated storage facilities to improve process yield, while 40% will be allocated for a new cleanroom facility setup and purchase of new automated production lines which will enable it to take up higher-value businesses.


*Vertical integration for higher-value manufacturing capabilities*

FIGURE 3: FUTURE PLANS AND STRATEGIES

### Future expansion of operational facilities


**1 Setting-up of Tebrau 6 Factory for aluminium die cast manufacturing**

- Expansion of aluminium die cast production facilities at the new Tebrau 6 Factory including the purchase of the following:
  - Purchase of 10 new aluminium die cast production lines with installation by 2<sup>nd</sup> quarter of 2023
  - Total capacity of the 10 new production lines is c. 1.8 million pieces per year. This will increase our capacity per year by 90% to 3.8 million pieces
  - Investment in increasing our capacity is aimed at catering to potential future increases in demand for our aluminium die cast products
- Purchase of related machinery and equipment for Tebrau 6 Factory, such as
  - Installation for the natural gas piping system to cater for the new 10 production lines
  - 9 units of robotic pick and spray equipment and 2 units of computerised numerical control lathe machines
  - 3 units of rotary screw air compressors to cater for the entire factory operating 24 hours in a day in 2 shifts
- Intends to allocate RM4.6 million of IPO proceeds to cover the total cost for setting up of Tebrau 6 Factory for aluminium die cast manufacturing<sup>(1)</sup>



**2 New warehouse and automated storage facilities**

- We intend to expand our facility floor space for our EMS business expansion where we plan to construct the New Senai 226 Warehouse on our existing vacant land, PLO 2268 adjacent to our Senai 227 Factory in Johor
- Setting-up of automated storage facilities for New Senai 226 Warehouse comprises mainly of automated storage and retrieval system, material transportation devices and warehouse management and control system. The set-up of facilities will be implemented in 2 phases with phase 1 expected completion by 3<sup>rd</sup> quarter of 2026 and phase 2 by 1<sup>st</sup> quarter of 2027
- Intends to allocate RM53.1 million of the IPO proceeds to cover the total cost of the New Senai 226 Warehouse and setting-up of automated storage facilities<sup>(1)</sup>

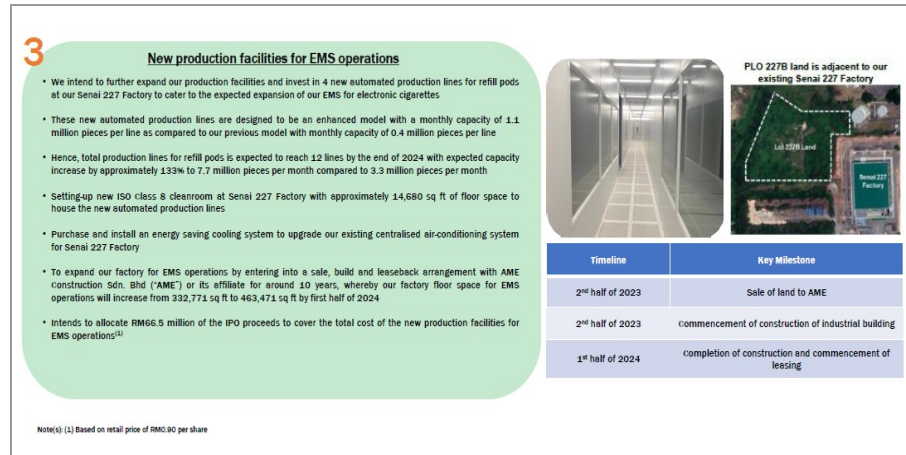


Timeline	Key Milestone
1 <sup>st</sup> quarter of 2024	Expected commencement of building construction
3 <sup>rd</sup> quarter of 2026	Expected commencement of operation

Notes: (1) Based on retail price of RM0.90 per share

Source: CAPE

**FIGURE 4: FUTURE PLANS AND STRATEGIES**



Source: CAPE

**Strong unbilled purchase orders to anchor growth in 2023.** As at 4 Jan 23, the group had unbilled purchase orders of RM358.7m to be fulfilled by 4Q23 of which 93% are made up of industrial electronic products.

*Strong unbilled purchase orders of RM358.7m to last until 4Q23*

**FIGURE 5: UNBILLED PURCHASE ORDERS AS OF 4 JAN 23**

Unbilled purchase orders	Industrial electronic products	Consumer electronic products	Total
	RM'000	RM'000	RM'000
To be delivered from January 2023 to March 2023	55,969	23,666	79,635
To be delivered from April 2023 to June 2023	95,292	-	95,292
To be delivered from July 2023 to September 2023	91,901	-	91,901
To be delivered from October 2023 to December 2023	91,901	-	91,901
<b>Total</b>	<b>335,063</b>	<b>23,666</b>	<b>358,729</b>

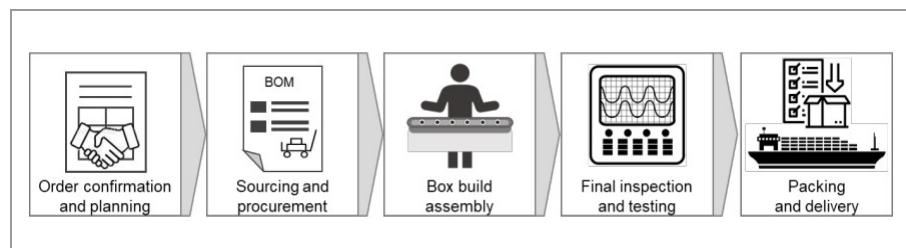
Source: CAPE

On top of the strong unbilled purchase orders stated above, it is noteworthy that the group had secured two new EMS customers as at 4 Jan 23:

*Secured additional two new EMS customers to anchor growth in 2023 and beyond*

- The group has received a letter of award from one new EMS customer where CAPE has been selected as an EMS provider. The group will manufacture and supply first sample finished products for product acceptance prior to mass production. CAPE is expected to complete the first sample finished products, namely thermal energy devices, by Mar 23 and the mass production is expected to commence in 2Q23.
- As for the other new EMS customer, the group has received a letter of award where it has been selected as an EMS provider. CAPE is carrying out the pilot production run.

**FIGURE 6: PROCESS FLOW**

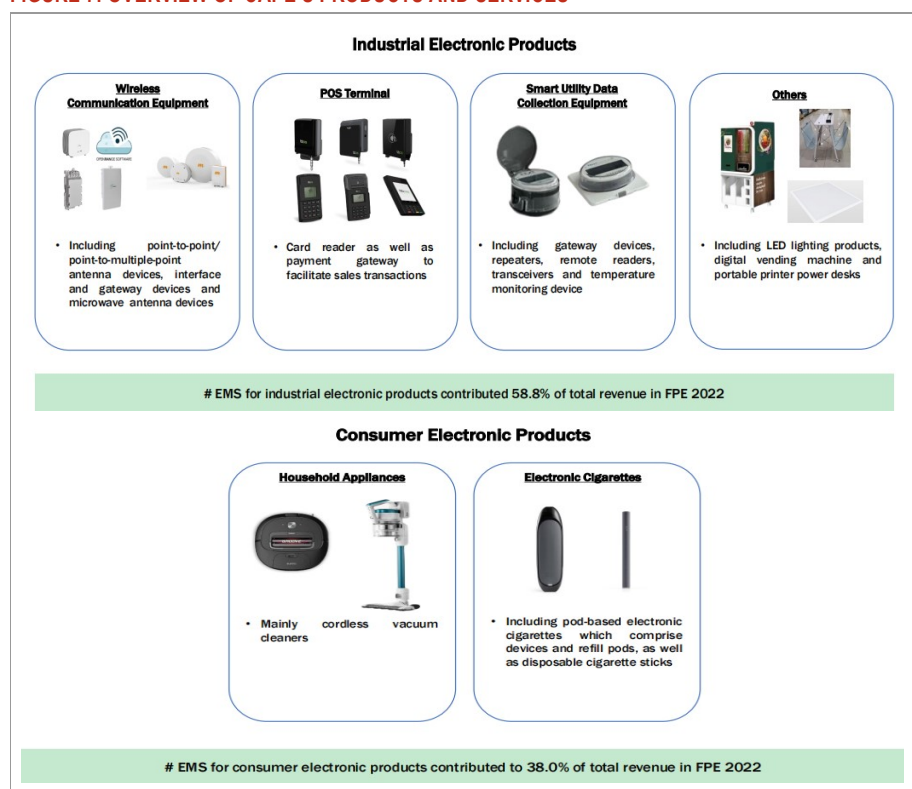


Source: CAPE

## COMPANY HIGHLIGHTS

CAPE is an EMS provider offering a range of contract manufacturing services for end-to-end manufacturing services which entail parts and components sourcing and procurement, production, assembly, testing, packaging up to direct shipment fulfilment. Their manufacturing contracts are typically turnkey contracts to provide complete box build products. The typical lead time from receipt of purchase order to completion of the box build assembly process is 3-6 months. The group carries out EMS services for box build of industrial and consumer electronic products as follows:

FIGURE 7: OVERVIEW OF CAPE'S PRODUCTS AND SERVICES



Source: CAPE

Moving forward, CAPE will continue to market their EMS focusing on two industries, namely industrial electronic products and consumer electronic products, to expand and grow their business.

Meanwhile, CAPE also carries out supporting services for their EMS operations where they have in-house aluminium die cast manufacturing, as well as sourcing and procurement of parts and components for their box build consumer and industrial electronic products. In this respect, the revenue of EMS operations of their box-build products takes into account the aluminium die cast parts as well as parts and components for the abovementioned box build industrial and consumer electronic products. For the period under review, the EMS of wireless communication equipment for their major customer, namely the Airspan group of companies (including Mimosa Networks and Airspan Communications), requires aluminium die cast parts supplied by Cape Manufacturing.

The transition of CAPE from supporting services to provision of EMS as the major revenue contributor was mainly due to higher growth from the provision of EMS. The key game changer came from CAPE being qualified by Mimoso Networks as its EMS for various models of products since Sep 19. This proves that the capabilities of CAPE have levelled up and CAPE has managed to broaden its EMS portfolio in both industrial and consumer electronics since then. Between 2019 and 2021, revenue CAGR for the provision of EMS and supporting services were 314.5% and 22.6% respectively. The higher growth for the provision of EMS was mainly contributed by securing more purchase orders from existing customers, as well as securing new customers for both the industrial and consumer electronics industries.

**FIGURE 8: OVERVIEW OF CAPE'S PRODUCTS AND SERVICES**



Source: CAPE

**FIGURE 9: KEY MILESTONES**

Year	Key Milestones
2013	<ul style="list-style-type: none"> <li>Commencement of Cape EMS under current management.</li> <li>Acquisition of Toyoplas EMS Manufacturing (M) and renamed as Cape EMS Manufacturing (M).</li> <li>EMS for wireless communication equipment for Ruckus Wireless Inc ("Ruckus Business Unit").</li> </ul>
2017	<ul style="list-style-type: none"> <li>Divestment of Ruckus Business Unit.</li> </ul>
2018	<ul style="list-style-type: none"> <li>Acquisition of Senai 227 Factory which was completed in 2020.</li> </ul>
2019	<ul style="list-style-type: none"> <li>Engaged customers for industrial electronics and qualified to provide EMS for wireless communication equipment and smart utility devices.</li> <li>Expansion of customer portfolio and ventured into consumer electronics (cordless vacuum cleaners).</li> </ul>
2020	<ul style="list-style-type: none"> <li>Reorganisation of group structure through acquisitions of Cape Manufacturing and Cape Singapore.</li> <li>Expansion of EMS customer portfolio and new product applications which include consumer electronics such as electronic cigarettes as well as industrial electronics such as point of sales (POS) terminals, digital vending machines, portable printer power desks.</li> </ul>
2021	<ul style="list-style-type: none"> <li>Purchase of factories ie Temenggong 22 Factory, Kempas 6 Factory and extension of Senai 227 Factory.</li> <li>Acquisition of two pieces of land – PLO226B and PLO227B.</li> </ul>
2022	<ul style="list-style-type: none"> <li>Purchase of Tebrau 6 Factory and extension of Senai 227 Factory.</li> </ul>

Source: CAPE

**FIGURE 10: ALLOCATION OF IPO SHARES**

Allocations	No. of Shares (m)	%
<b>Public Issue</b>		
Malaysian Public	46.2	5.0
Eligible Directors & Employees	8.0	0.8
Malaysian Institutional and Selected Investors	90.0	9.8
Bumiputera Investors Approved by MITI	115.5	12.5
Enlarged No. of Shares Upon Listing (m)	923.0	
IPO Price Per Share (RM)	0.90	
Market Capitalisation (RMm)*	830.7	

\* Based on the IPO price and enlarged capital of 923.0m shares upon listing  
Source: CAPE

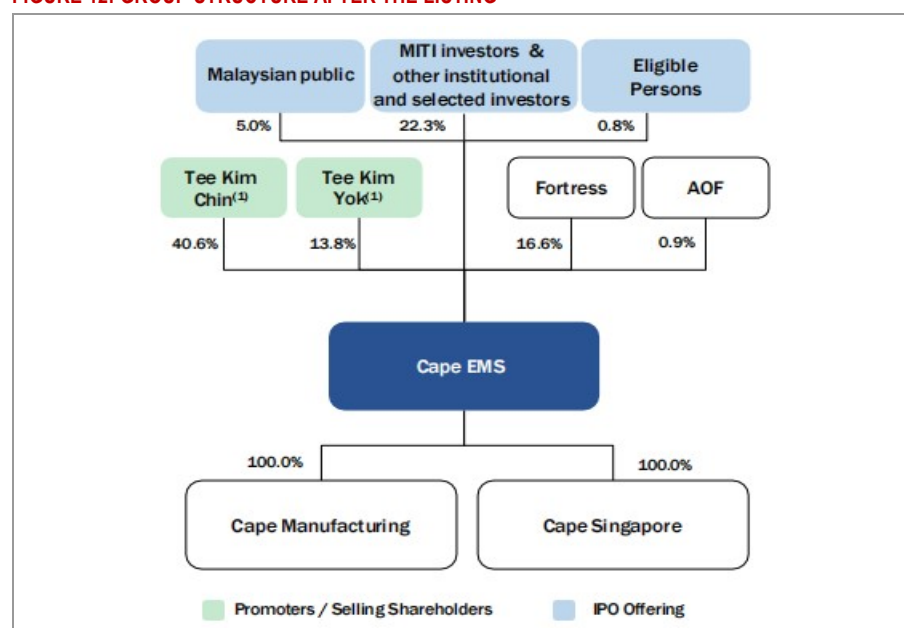
The gross proceeds from the public issue amounting to RM155.7m are expected to be used in the following manner:

**FIGURE 11: UTILISATION OF IPO PROCEEDS**

Utilisation of Proceeds	(RMm)	(%)	Estimated Timeframe for Utilisation*
Construction of New Senai 226 Warehouse and installation of automated storage facilities	53.1	34.1	within 48 months
Setting-up of new cleanroom facility and purchase of new automated production lines for EMS operations	62.8	40.3	within 24 months
Installation of energy saving cooling system	3.7	2.4	within 24 months
Purchase of new machinery and equipment for die cast manufacturing related services	4.6	3.0	within 12 months
Working Capital	20.5	13.2	within 12 months
Estimated Listing Expenses	11.0	7.0	Within 3 months
<b>Total</b>	<b>155.7</b>	<b>100.0</b>	

\* From the date of listing of shares on the MAIN market  
Source: CAPE

**FIGURE 12: GROUP STRUCTURE AFTER THE LISTING**



Source: CAPE

**INDUSTRY OUTLOOK**

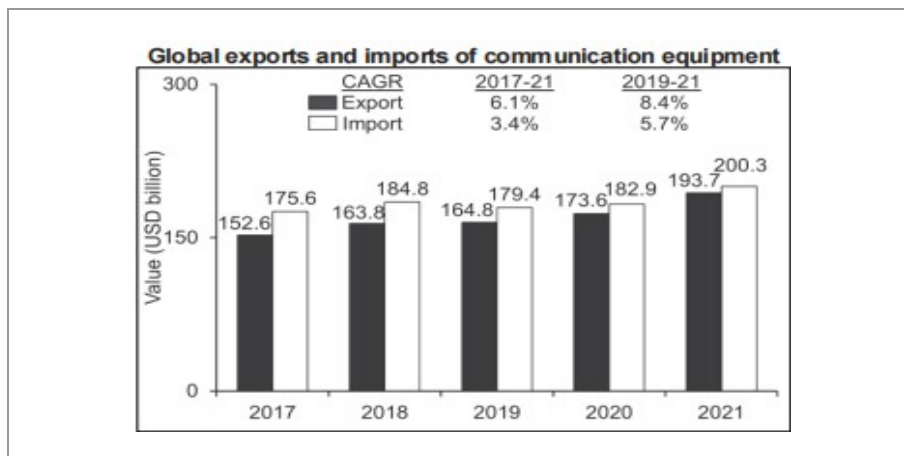
**The categorisation of EMS providers into consumer or industrial electronics is important** as EMS providers focusing on consumer products commonly have a high-volume business model compared with suppliers of industrial products. In addition, consumer products have more frequent product updates or obsolescence. As such, the business model of a consumer EMS provider is different from one that focuses on industrial products. Many EMS providers focus on either consumer or industrial products but CAPE is focused on both by providing end-to-end EMS for box build consumer and industrial electronic products.

*Consumer EMS commonly has a high-volume business model with frequent products updates*

**Strong growth in global exports of communication equipment.** The global exports of communication equipment recorded a CAGR of 6.1% between 2017 and 2021. CAPE provides EMS for wireless communications equipment for US and UK customers. Communication equipment includes wired and wireless equipment for the transmission and reception of voice, images and other data. Between 2019 and 2021, the global export of communication equipment increased at a CAGR of 8.4% mainly attributed to an increase in demand for communication equipment during the COVID-19 pandemic. In 2021, the global export of communication equipment grew 11.6% from US\$173.6b in 2020 to US\$193.7b in 2021. In 2021, the top three largest exporting countries for communication equipment were China, the US and Netherlands.

*Global exports of communication equipment recorded a CAGR of 6.1% between 2017 and 2021*

**FIGURE 13: GLOBAL EXPORTS AND IMPORTS OF COMMUNICATION EQUIPMENT**



Source: CAPE

**Strong government support for E&E industry.** According to the 12th Malaysia Plan, the GDP of the E&E industry is targeted to grow from RM86.1b in 2020 to RM120b in 2025. Meanwhile, the export value of E&E products is targeted to grow from RM386.1b in 2020 to RM495b in 2025 led by integrated circuits, diodes and photosensitive semiconductors following continuous demand in emerging technologies such as autonomous vehicles, AI, 5G and IoT. According to Budget 2022, RM100m will be allocated to 200 manufacturing and service sector companies to automate their business processes and RM45m allocated as technology transformation incentives for small- and medium-sized enterprises and mid-stage companies in the manufacturing and service sector for Industrial Revolution 4.0 or Industry4WRD.

*Malaysia government has introduced various incentive schemes to support local E&E industry*

**Strong growth in sales value of household appliances.** In 2021, the sales value of manufactured household appliances grew 9.5%. The performance of consumer products is also represented by the sales value of the manufacture of household appliances. The growth in the demand for consumer electronics and household appliances in 2021 was mainly due to changes in consumer lifestyle resulting from remote working and home-schooling. In 9M22, the sales value of manufactured electronic equipment, communication equipment, consumer electronics and household appliances recorded 12.2%, 0.1%, 19.1% and 12.7% growth respectively compared with 9M21.

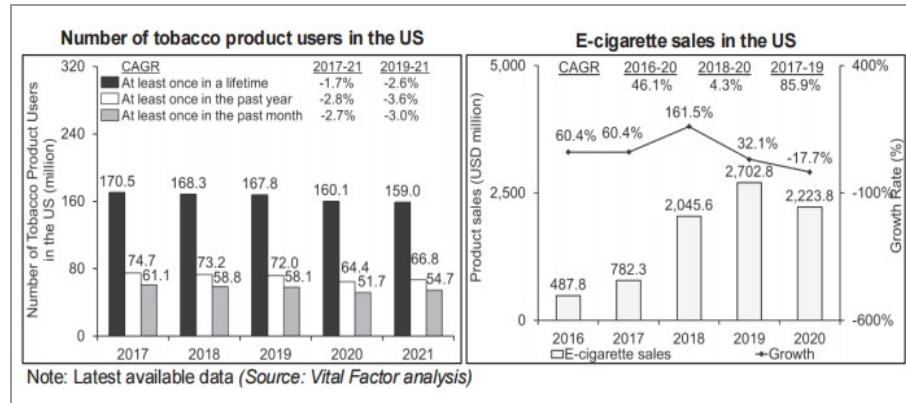
*Demand for household appliances rebounded in 2021-22 due to changes in consumer lifestyle*



Between 2016 and 2020, e-cigarette sales in the US grew at a CAGR of 46.1% amounting to US\$2.2b in 2020, of which cartridge system products and disposable products accounted for 97.3% and 2.7% respectively. CAPE's e-cigarettes are exported to the US. E-cigarettes are a potential replacement for tobacco products. In 2021, the number of people aged 12 or older in the US who used tobacco products at least once was 66.8m. In the same year, the number of people in the US who used nicotine vaping at once was 18.9m, accounting for 5.7% of the total population in the US.

*Strong demand of e-cigarette in US due to their preference towards tobacco products*

FIGURE 14: OVERVIEW OF CAPE'S PRODUCTS AND SERVICES



Source: CAPE

**Strong growth in global exports of E&E products.** Malaysia's E&E industry is export-oriented. The export of E&E products from a global perspective recorded a CAGR of 7.5% between 2017 and 2021. Between 2019 and 2021, global exports of E&E products grew at a higher CAGR of 12.1% due to the COVID-19 pandemic. In 2021, the top three largest exporters of E&E products were China, Hong Kong and the US.

*Malaysia benefitting from strong growth in global exports of E&E products as Malaysia E&E industry is export-oriented*

This is in tandem with the global sales of semiconductors which grew 6.8% to US\$440.4b in 2020, mainly driven by sensors and integrated circuit products, particularly logic and memory products. In 2021, global sales of semiconductors further grew 26.2% to US\$555.9b, mainly driven by significant growth across all major product categories, particularly integrated circuit products, sensors and discrete semiconductors. In 9M22, global sales of semiconductors grew 9.9% compared with the corresponding period in 2021. However, global sales of semiconductor declined from Jul 22 to Nov 22, compared with the corresponding period in 2021 (Source: Vital Factor analysis).

## KEY RISKS

**Dependency on major customers.** Changhuat Plastic, the Airspan group of companies, K&Q, Customer A, Tastar Electronics, and SOQ and NextCentury are among the group's top five major customers for certain of the financial years/periods under review, contributing 99.9%, 92.3%, 85.9% and 88.8% of the group's revenue for FYE 2019 to FYE 2021 as well as FPE 2022 respectively.

*High customer concentration the main risk*

Although CAPE has master supply agreements with most of its major customers above, their business is based on purchase orders issued by their customers. There is no assurance that they can retain these customers, or that the volume of their product orders will not vary significantly from year to year. In the event of a termination or non-renewal of the said agreements, or a reduction or absence of purchase orders, or the loss of any of these major customers and they are unable to obtain substitute orders of comparable sizes from other existing or new customers in a timely manner, CAPE's financial condition and results of operation may be adversely affected. As at 4 Jan 23, the group had not failed to renew master supply agreements with its major customers.

**FIGURE 15: MAJOR CUSTOMER PROFILE**

Customer	Segment	Relationship Tenure	Revenue Contribution
Changhuat Plastic	Supply of parts and components	5 years	FY19 : 58.6% FY20 : 11.3% FY21 : n.a. FPE22 : n.a.
Airspan Group of Companies	Wireless communication products	4 years	FY19 : 41.2% FY20 : 10.2% FY21 : 14.3% FPE22 : 10.9%
K&Q	Household appliances	4 years	FY19 : 0.1% FY20 : 43.0% FY21 : 22.7% FPE22 : 18.4%
Customer A	E-cigarettes	3 years	FY20 : 21.6% FY21 : 12.3% FPE22 : 27.1%
Tastar Electronics	POS Terminal	3 years	FY20 : n.a. FY21 : 18.3% FPE22 : 19.8%
SOQ and NextCentury	Smart utility data collection equipment	3 years	FY20 : 6.2% FY21 : 18.3% FPE22 : 12.6%

Source: CAPE, UOB Kay Hian

**Foreign exchange rate fluctuations.** For FYE 2019, FYE 2020, FYE 2021 and FPE 2022, 41.3% (RM17.8m), 99.1% (RM166.8m), 94.6% (RM325.6m) and 99.4% (RM317.8m) of CAPE's total revenue were transacted in US dollars. Hence, their revenue is mainly denominated in foreign currencies. If the foreign exchange rates were to weaken against the ringgit going forward, the group may record lower revenue as most of the sales are conducted in foreign currencies. This may have a negative impact on the group's financial results.

*Fluctuation of foreign exchange may pose a certain risk to the group*

At the same time, 61.8% (RM20.6m), 90.4% (RM117.4m), 91.2% (RM232.8m) and 89.7% (RM166.1m) of the group's total purchases were also transacted in US dollars for FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively. Any unfavourable foreign currency fluctuations may negatively affect their cost of operations. CAPE practices natural hedging by maintaining the receipts from their overseas customers in a foreign currency account for payment to overseas suppliers. As at 4 Jan 23, the group had not entered into any foreign exchange contracts. They are subject to foreign exchange fluctuation risk for the purchase of their supplies and revenue from their foreign sales.

**Material shortage.** The input materials needed for CAPE's operations include E&E parts and components such as PCBA, mechanical parts, packaging and related materials, as well as aluminium ingots for die casting manufacturing. They source input materials from Malaysia as well as overseas but are reliant on imported materials as there are no local alternatives for most of the input materials which are currently imported by the group, such as batteries. For all of CAPE's EMS products, there are local and foreign sources for input materials, such as E&E parts and components from approved and appointed suppliers by their customers. Imported materials accounted for 34.7%, 27.6%, 49.8% and 59.9% of the group's total purchases of input materials and services for FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively. As such, they are reliant on the supply of imported materials and any disruptions in the global supply chain would affect their EMS business.

*Material shortage may hinder their growth*

The group's EMS business is responsible for the procurement of input materials. Their EMS customers provide them with a 6 to 12 months rolling forecast and confirmed purchase orders mainly on a weekly or quarterly basis. As for proprietary or critical input materials, namely the semiconductors, these are mainly supplied by their customers. A shortage of semiconductors does not directly affect their procurement as the semiconductors are mainly supplied by their customers as mentioned above. However, any serious and prolonged global shortage of input materials may lead to delays in their production. Such delays could result in delays in delivery to their customers which may in turn affect their business operations and financial performance.

**Inadequate insurance coverage.** The group has secured insurance policies for a variety of risks for their business operations, such as fire, burglary, public liability and general liability. All these insurance policies are subject to exclusions and limitations of liability in both amounts insured and with respect to the insured events. As at 4 Jan 23, the group's material insurance coverage are as follows:

*Inadequate insurance coverage may severely hurt the group's financials if there is any unexpected accident*

**FIGURE 16: CAPE'S MATERIAL INSURANCE COVERAGE AND AGGREGATE COVERAGE AMOUNT**

Material Insurance Coverage	Aggregate Coverage Amount (RMm)
Fire & Fire Consequential Loss	189.7
Burglary	0.6
Public Liability	3.0
General Liability	107.5
Directors & Officers' Liability	10.0

Source: CAPE, UOB Kay Hian

The group's existing insurance coverage may be insufficient to cover all the risks associated with their business operations. Their business and financial performance may be adversely affected in the event such claims exceed the coverage of their insurance policies or their claims are not successful, in which case the group may be required to bear such losses, damages and liabilities out of their own funds. In addition, any insurance claim records may affect the insurance premiums charged to them subsequently by their respective insurance companies and this may impact their financial conditions.

**Dependency on production workers for business operations.** CAPE's manufacturing activities require production workers. Although the group has automated machinery in its factory, it is still reliant on production workers. As of 4 Jan 23, the group had 129 production workers (representing 27.6% of total workforce of 467 employees) working on its factory floor, out of which 86 are contractual foreign workers and 43 permanent local workers. In addition, its production workers are supplemented by 657 production workers employed by its sub-contractor. The group may experience a shortage of production workers from time to time due to factors which affect its supply of both local and foreign workers as well as its ability to obtain additional production workers from the subcontractor. As at 4 Jan 23, there was no past occurrence where the group was unable to hire sufficient production workers as it also engaged the subcontractor for the supply of production works. That said, there is no assurance the group will attract and retain sufficient local workers to meet any shortfall in foreign workers.

*High dependency on production workers; labour shortage could materially impact business operations*

## FINANCIALS

**Stellar two-year revenue CAGR of 183% from 2019-21.** Revenue exploded in 2020 (+290%) and the growth momentum continued in 2021 (+105%) despite the large base in 2020. Notably, the sharp improvement during 2019-20 was due to the increase of orders from provision of EMS comprising both industrial and consumer electronic products related to: a) 400% increase in volume for wireless communication equipment from the Airspan group of companies; b) commencement of EMS for smart utility data collection equipment to new customers, SOQ and NextCentury; c) commencement of EMS on electronic cigarettes for Customer A which was mainly derived from the value-added services for the initial development; and d) commencement of mass production of household appliance for K&Q. Meanwhile, revenue from supporting services increased 22% mainly from die cast manufacturing operations including value-added services mainly for the initial development of tooling such as the tooling design for the mould and die prior to the mass production of die cast parts. The strong growth in provision of EMS and supporting services was partially offset by a decrease in supply of parts and components (-22%) mainly due to lower orders for plastic and metal parts and components from Changhuat Plastic.

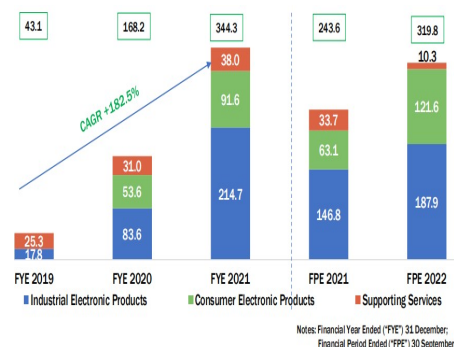
**On a geographical basis,** the US contributed the largest growth of 18-56% from 2019-21 as well as FPE 2022, mainly from a higher order from the Airspan group of companies involved in wireless communication equipment, probably as the global transition from 4G to 5G spurs demand. On the other hand, the Singapore market contributes from almost 0% in 2019 to 11-33% in FY20 to FPE22 mainly due to the fact that they are able to secure new customers, namely SOQ and NextCentury after the acquisition of CAPE Singapore in FY20.

**PBT grew by a wider two-year CAGR of 375% from 2019-21 on margin expansion.**

The group recorded a decent PBT margin expansion from 2.6% in 2019 to 7.4% in 2021 before peaking at 13.5% in 2020. The decent PBT margin of 13.5% in 2020 was due to higher profitability from EMS of electronics cigarettes. This was mainly contributed by the value-added services for the initial development for the EMS of electronic cigarettes. This involved the customisation of automated production lines and development of tooling for plastic and metal parts with suppliers having to meet customers' requirements and specifications. In 2021, pre-tax margin normalised back to 7.4% without the one-off initial development revenue.

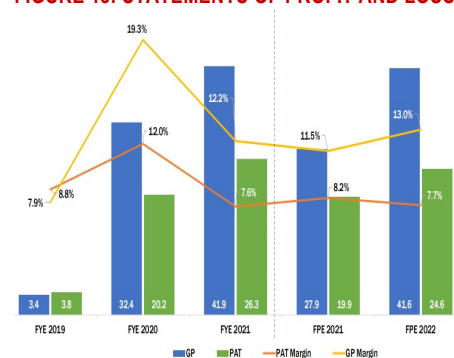
**Intends to distribute 30% dividend payout ratio.** While CAPE does not have any formal dividend policy, it is the board's policy to recommend and distribute a dividend of up to 30.0% of the audited PAT of each financial year on a consolidated basis to allow its shareholders to participate in the profits of the group. The payment of dividends by CAPE's subsidiaries is dependent upon various factors, including but not limited to its distributable profits, financial performance, and cash flow requirements for operations and capital expenditures, as well as other factors that its respective boards of directors deem relevant. There is no dividend restriction being imposed on the group currently.

FIGURE 17: REVENUE BY BUSINESS SEGMENT



Source: CAPE

FIGURE 18: STATEMENTS OF PROFIT AND LOSS



Source: CAPE

## VALUATION

**Initiate coverage with BUY and target price of RM1.60**, based on 20.0x 2024F PE which is trading on a par with its closest industry peers' average forward PE. Listing at 15.0x 2023F PE with an IPO price of RM0.90, CAPE has ample of upside from here and we also expect a three-year net profit CAGR of 32% from 2022. Meanwhile, such an undemanding PE represents a 40-50% discount from its closest peers – Aurelius Technologies and NationGate. Blue-sky valuation if pricing at 1x PEG ratio suggests a potentially higher target price of RM1.98 (at 25x 2024F PE).

**Upping the ante to capture sea of opportunities.** While CAPE is running at a 58.6% capacity utilisation rate, it has been enjoying decent margins thanks to the profitability of its key products. While indication from the outstanding purchase orders points to a higher utilisation which could reap better margins going forward, the group does not rest on its laurels. Note that out of the RM155.7m gross proceeds raised, 34% will be allocated to the construction of a new warehouse and installation of automated storage facilities to improve process yield, while 40% will be allocated for a new cleanroom facility setup and purchase of new automated production lines which will enable it to take up higher-value businesses.

**Strong unbilled purchase orders to anchor growth in 2023.** As at 4 Jan 23, the group had unbilled purchase orders of RM358.7m to be fulfilled by 4Q23 of which 93% of the orders are made up of industrial electronic products. On top of the strong unbilled purchase orders stated above, the group has secured two new EMS customers as at 4 Jan 23 where the group has received a letter of award from one new EMS customer to be its EMS provider. The group will manufacture and supply first sample finished products for product acceptance prior to mass production. CAPE is expected to complete the first sample finished products, namely thermal energy devices, by Mar 23 and the mass production is expected to commence in 2Q23. As for the other new EMS customer, CAPE has received a letter of award where it has been selected as an EMS provider. CAPE is currently carrying out the pilot production run.

**Forecasting a three-year revenue/core net profit CAGR of 25%/32%**, on the back of better order loadings from its key customers as stated in its strong unbilled purchase orders of RM358.7m. We expect the industrial electronic segment to extend the company's CAGR momentum (two-year CAGR from 2022 of 28%). In particular, its wire communication equipment could be spearheading double-digit growth from 2023 onwards following a new replacement cycle alongside equipment deployment into new markets. For the consumer electronics segment, Customer A which carries the highest gross margin could continue to anchor a quarter of total revenue going forward.

*Blue-sky valuation if pricing at 1x PEG ratio suggests a potentially higher target price of RM1.98 (at 25.0x 2024F PE)*

*Still seeing room for margin improvement following higher utilisation on strong orderbook backlog*

*Strong unbilled purchase orders of RM358.7m will last until 4Q23*

*Key drivers from wire communication equipment and consumable from consumer electronics segment*

**BUSINESS BACKGROUND**

The history of CAPE can be traced back to May 13 when Tee Kim Chin acquired 12.0m shares, representing 60.0% equity interest in the company (then known as Toyoplas EMS Manufacturing (M)) for a purchase consideration of RM12.0m from Lim Lai An, and Alex Miranda Juntado acquired the remaining 8.0m shares, representing a 40.0% equity interest in the company (then known as Toyoplas EMS Manufacturing (M)) for a purchase consideration of RM8.0m from Lim Lai An and Lim Hui Bian. Lim Lai An and Lim Hui Bian also ceased being the Directors of the company in May 13. The acquisitions by Tee Kim Chin and Alex Miranda Juntado were pursuant to their intention to venture into the EMS business. Tee Kim Chin and Alex Miranda Juntado have been the Directors of the company since May 13. Following further allotments of 18.0m shares to Tee Kim Chin in Mar and Sep 20, and the allotment of 2.0m shares to Alex Miranda Juntado in Mar 20, Tee Kim Chin's and Alex Miranda Juntado's equity interests in the company were 75.0% and 25.0% respectively.

In Jul 13, the company changed its name from Toyoplas EMS Manufacturing (M) to Cape EMS Manufacturing (M) and continued with the provision of EMS for industrial electronic products, mainly wireless communication equipment, as its principal activity. In Jan 20, the company acquired the beneficial interest of the entire share capital of: i) Cape Manufacturing from Tee Kim Chin and Alex Miranda Juntado for a purchase consideration of approximately RM3.8m and RM1.8m respectively; and ii) Cape Singapore from Tee Kim Chin and Alex Miranda Juntado for a purchase consideration of S\$0.3m and S\$0.2m respectively. In Jul 21, Alex Miranda Juntado disposed of all of his equity interest amounting to 25.0% of the equity interest in the company to Tee Kim Yok for a sale consideration of RM10.0m. On 9 May 22, the company was converted into a public limited company under the name of Cape EMS Manufacturing (M). The company assumed its present name on 27 May 22.

The group has three factories located in Senai, Tampoi and Kempas of Johor and one testing facility in Midview City, Singapore. The total factory floor space for EMS operations is 332,771sf with 34 EMS operations lines, 13 aluminium die casting lines and 2 SMT lines. The production capacity and output are shown below.

**FIGURE 19: EMS MARKET AND E&E INDUSTRY**

Major product categories <sup>(1)</sup>	No. of production lines	Annual Capacity <sup>(2)(3)</sup> (pieces)	Annual Production Output (pieces)	Utilisation Rate (%)
<b>Wireless communication equipment</b>				
FYE 2019	4	350,000	97,911	28
FYE 2020	9	1,100,000	489,690	45
FYE 2021	12	1,700,000	599,222	35
FPE 2022	12	1,300,000 <sup>(4)</sup>	361,234	28
<b>Smart utility data collection equipment</b>				
FYE 2019	-	-	-	-
FYE 2020	3	400,000	173,070	43
FYE 2021	3	1,000,000 <sup>(5)</sup>	641,742	64
FPE 2022	6	1,100,000 <sup>(4)</sup>	850,566	77
<b>POS terminals</b>				
FYE 2019	-	-	-	-
FYE 2020	1	53,000 <sup>(6)</sup>	2,981	6
FYE 2021	2	400,000 <sup>(7)</sup>	147,629	37
FPE 2022	2	450,000 <sup>(4)</sup>	169,481	38
<b>Household appliances</b>				
FYE 2019	-	-	-	-
FYE 2020	2	200,000 <sup>(8)</sup>	74,421	37
FYE 2021	2	500,000	193,751	39
FPE 2022	2	400,000 <sup>(4)</sup>	166,018	42
<b>Electronic cigarettes</b>				
FYE 2019	-	-	-	-
FYE 2020	-	-	-	-
FYE 2021	7	4,200,000 <sup>(9)</sup>	780,900	19
FPE 2022	12 <sup>(10)</sup>	35,500,000 <sup>(4)</sup>	21,163,300	60

Source: CAPE

The key thing to highlight here is that the EMS of CAPE's box-build products is based on manual assembly using general tools, jigs and testing equipment. As such, it would not be meaningful to state the product capacity and utilisation rate based on the main machinery and equipment. For example, for electronic cigarettes, the EMS process is based on automated production line where all machinery and equipment are integrated into one continuous line. As such, product capacity and utilisation rate are based on the entire line.

**FIGURE 20: REVENUE BY BUSINESS ACTIVITY AND PRODUCT**

	FYE 2019		FYE 2020		FYE 2021	
	RM'000	(%)	RM'000	(%)	RM'000	(%)
<b>Provision of EMS</b>						
• Industrial electronic products	17,801	41.2	83,641	49.7	214,658	62.3
- Wireless communication equipment	17,801	41.2	71,324	42.4	79,282	23.0
- Smart utility data collection equipment	-	-	10,609	6.3	67,924	19.7
- POS terminals	-	-	1,610	1.0	62,862	18.3
- Others <sup>(1)</sup>	-	-	98	*	4,590	1.3
• Consumer electronic products	26	0.1	53,619	31.9	91,629	26.6
- Household appliances	26	0.1	17,213	10.2	49,350	14.3
- Electronic cigarettes	-	-	36,406	21.7	42,279	12.3
	<b>17,827</b>	<b>41.3</b>	<b>137,260</b>	<b>81.6</b>	<b>306,287</b>	<b>(2)89.0</b>
<b>Supporting services</b>						
• Die casting manufacturing <sup>#</sup>	-	-	11,403	6.8	24,143	7.0
• Supply of parts and components	25,330	58.7	19,598	11.6	13,904	4.0
	<b>25,330</b>	<b>58.7</b>	<b>31,001</b>	<b>18.4</b>	<b>38,047</b>	<b>11.0</b>
<b>Total</b>	<b>43,157</b>	<b>100.0</b>	<b>168,261</b>	<b>100.0</b>	<b>344,334</b>	<b>100.0</b>

Source: CAPE

**FIGURE 21: REVENUE BY GEOGRAPHICAL LOCATION**

	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
<b>Asia Pacific</b>	<b>25,356</b>	<b>58.8</b>	<b>44,789</b>	<b>26.6</b>	<b>150,104</b>	<b>43.6</b>	<b>120,860</b>	<b>37.8</b>
Singapore	26	0.1	18,823	11.2	112,212	32.6	98,205	30.7
Malaysia	25,330	58.7	22,720	13.5	27,005	7.8	9,871	3.1
Hong Kong	-	-	1,835	1.1	4,835	1.4	25	*
Japan	-	-	100	0.1	5,155	1.5	11,864	3.7
China	-	-	898	0.5	570	0.2	617	0.2
Taiwan	-	-	382	0.2	308	0.1	252	0.1
India	-	-	31	*	19	*	26	*
<b>Americas</b>	<b>10,821</b>	<b>25.1</b>	<b>92,369</b>	<b>54.9</b>	<b>190,518</b>	<b>55.3</b>	<b>176,047</b>	<b>55.1</b>
USA	10,821	25.1	92,369	54.9	190,518	55.3	176,047	55.1
<b>Europe</b>	<b>6,980</b>	<b>16.1</b>	<b>31,103</b>	<b>18.5</b>	<b>3,712</b>	<b>1.1</b>	<b>22,843</b>	<b>7.1</b>
UK	6,980	16.1	30,599	18.2	3,712	1.1	22,706	7.1
Sweden	-	-	504	0.3	-	-	137	*
<b>Total revenue</b>	<b>43,157</b>	<b>100.0</b>	<b>168,261</b>	<b>100.0</b>	<b>344,334</b>	<b>100.0</b>	<b>319,750</b>	<b>100.0</b>

Source: CAPE

**FIGURE 22: COST BREAKDOWN OF RAW MATERIALS**

	FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%
Input materials	31,213	78.5	108,637	80.0	251,002	83.0
Subcontracted services <sup>(1)</sup>	99	0.3	7,378	5.4	15,867	5.2
Labour cost	1,474	3.7	5,400	4.0	11,201	3.7
Factory overheads	6,976	17.5	14,425	10.6	24,373	8.1
<b>Total</b>	<b>39,762</b>	<b>100.0</b>	<b>135,840</b>	<b>100.0</b>	<b>302,443</b>	<b>100.0</b>

Source: CAPE

**BOARD OF DIRECTORS AND KEY PERSONNEL**

**FIGURE 23: DIRECTORS AND MANAGEMENT PROFILE**

Key Personnel	Experience & Background
<p><b>Tee Kim Chin</b> Promoter, substantial shareholder and Non-Independent Managing Director/Group Chief Executive Officer</p>	<p>Tee Kim Chin, a Malaysian, aged 55, is Promoter, substantial shareholder and Non-Independent Managing Director/Group Chief Executive Officer of the group and was appointed to the Board on 31 May 13.</p> <p>She attended the Research and Advanced Study on Leadership at the School of Continuing Education, Tsinghua University, China in 2014. She began her career in A&amp;W (M) in 1988 as a management trainee and was later promoted to Marketing Assistant (1989), Personal Assistant to General Manager (1991) and finally as Ipoh Outlet Assistant Manager (1991). In 1992, she left A&amp;W (M) and joined Jangta Electronics (M) as a Storekeeper. She rose up the ranks to be General Manager in 1999 where she was responsible for, among others, overseeing production planning, manpower planning, manufacturing management, business forecasts, company performance review and business development. In 2002, she resigned from Jangta Electronics (M) and joined Crestar Printer (M) in the same year as General Manager where she was responsible for overseeing the company's operations which included reviewing the company's performance, business development, preparing business forecast and budgetary summary as well as reporting to the board of directors. In 2004, she left Crestar Printer (M) and joined Ultrakindo Crestec Indonesia, Indonesia as Managing Director responsible for the management of the factory and its manufacturing process as well as reporting to the board of directors. Ultrakindo Crestec Indonesia, Indonesia was principally involved in the printing of instruction manuals, warranty books and carton boxes.</p> <p>In 2006, she left Ultrakindo Crestec Indonesia, Indonesia to join Toyoplas Holdings, Singapore as a director. She was tasked to oversee the entire management and operation of various Toyoplas' factories. Toyoplas Holdings, Singapore, is principally involved in investment holding, commission agents and management services. In 2007, she was appointed as the director and Chief Executive Officer of Toyoplas. In 2007, she was appointed as the director and Chief Executive Officer of Toyoplas Manufacturing (M), which is principally involved in manufacturing of plastic injection moulding, tooling and die-casting. In 2010, she was appointed as a director and Chief Executive Officer of Toyoplas EMS Manufacturing (M) (a company with a common shareholder, namely Lim Lai An, as that of Toyoplas Manufacturing (M) in 2011(1)), which is principally involved in assembling and manufacturing electronic components and printed circuit boards. In 2012, she resigned as director of Toyoplas Manufacturing (M). In 2013, she resigned as director of Toyoplas Holdings, as well as director and Chief Executive Officer of Toyoplas EMS Manufacturing (M).</p> <p>In 2013, she and Alex Miranda Juntado acquired the entire equity interest in Toyoplas EMS Manufacturing (M) (subsequently renamed as Cape EMS Manufacturing (M)). She then assumed the role as Chief Executive Officer of Cape EMS. In 2021, she assumed her present role as Managing Director/Group Chief Executive Officer. In 2013, when she was appointed as a director of Cape Manufacturing, she did not hold any equity interest therein. In Jul 14, she acquired 23.1% equity interest in Cape Manufacturing and subsequently, up to 2019, increased her equity interest to 68.0% in Cape Manufacturing. She was appointed as a director of Cape Singapore in 2014 and acquired a 60.0% equity interest in Cape Singapore in 2015. In Sep 21, she was appointed as the President of the Malaysian International Chamber of Commerce and Industry (MICCI), a position which she still holds as at 4 Jan 23. She is the winner of the Star Outstanding Business Award (SOBA) 2021 for Meritorious Achievement under the Female Entrepreneur of the Year category organised by Star Media Group. She is also a winner of the World Chinese Outstanding Woman Business Leader Award at the 2022 Global Chinese Economic and Technology Summit.</p>
<p><b>Tee Kim Yok</b> Promoter, substantial shareholder and Non-Independent Executive Director</p>	<p>Ooi Eng Leong, a Malaysian, aged 45, Non-Independent Executive Director. She was appointed to the Board on 23 Nov 20. She is also Promoter and substantial shareholder of the group. She is primarily responsible for government liaison and corporate social responsibility (CSR), as well as ESG of the group.</p> <p>She began her career in 1995 as an Administrative and Sales Coordinator with Langkah Bersatu (M). She left Langkah Bersatu (M) in 2000 and joined Ormapaper Industry (Perak) as a Sales Executive. She was involved in the sales and marketing functions and assisted in building a new customer base for the company. Subsequently, in 2003, she left Ormapaper Industry (Perak) to join Astin Resources as an Assistant Manager responsible for, among others, sales and marketing and leading the sales team. She left the company in 2008 and took a career break for personal reasons.</p> <p>In 2010, she joined Digital Innovation Technologies (M) as a Sales Representative responsible for sales and marketing. She left the company in 2012 to set up her own business, Eyetech Solutions, selling office equipment such as photocopiers and security devices. She closed her sole proprietorship business in 2021. In 2016, she set up a kindergarten business under Good Hope Edu (formerly known as Cape Smart Edu) and was the director of the company. Good Hope Edu (formerly known as Cape Smart Edu) was principally involved in pre-primary education, tuition centre and child day-care services, trading in books and stationery and trading in educational toys. It was subsequently sold in 2022. In 2019, she joined Diamond Star Biotechnology as Finance/Human Resource Manager responsible for salary/payroll. In the same year, she left Diamond Star Biotechnology and joined the company as the Accounts Payable Manager.</p>



Key Personnel	Experience & Background
<p><b>Datuk Mohd Rabin Bin Basir</b> <i>Independent Non-Executive Chairman</i></p>	<p>Datuk Mohd Rabin Bin Basir, a Malaysian aged 60, Independent Non-Executive Chairman. He was appointed to the Board on 5 May 22. He graduated with a Bachelor of Arts in Southeast Asia Studies from University of Malaya in 1985. He later obtained a Diploma in Public Service Training from the Public Service Administration Centre in 1988. He obtained his Master of Arts (Defence Studies) (Honours) at the Universiti Kebangsaan Malaysia in 2006. In 1985, after completing his studies, he began his career in Asia Commercial Finance (M) in the Statistic Department where he was assigned to prepare statistical reports for the management of Asia Commercial Finance and to government agencies. He left Asia Commercial Finance in 1986 to further his studies in diploma. After completing his diploma in 1988, he joined the Research Division of the Prime Minister's Department (PMD) as Assistant Director. He was responsible for social and security affairs. From 1991 to 1993, he was posted to the Embassy of Malaysia in Phnom Penh, Cambodia as the Second Secretary. He then returned to Malaysia and assumed his original designation as the Assistant Director of the Research Division, PMD from 1993 to 1997.</p> <p>In 1997 he was posted to Embassy of Malaysia in Yangon, Myanmar as the First Secretary. He returned to Malaysia in 2003 and was promoted to Deputy Director of the Research Division, PMD. In 2004, he was posted to Sydney, Australia as a Special Officer to the Embassy of Malaysia in Sydney. He took study leave in 2005 to pursue a Master's degree as mentioned above. After completing his Master's degree in 2006, he was posted to the High Commission of Malaysia in New Delhi, India as the Consular. He returned to Malaysia in 2011 and was promoted to Principal Assistant Director of the Research Division, PMD. Subsequently, in 2012, he was promoted to Director of the Research Division, PMD. His responsibilities as the Director of the Research Division, PMD include overseeing the social and security affairs department. In 2017, he was appointed as the Director of Strategic Communication Department under the Malaysian National Security Council, PMD. He was mainly responsible for overseeing national security affairs. Subsequently in 2018, he was promoted to Deputy Director General of the Malaysian National Security Council, PMD. In 2019, he was again promoted to Director General of the Malaysian National Security Council, PMD. He was tasked to oversee national security. In 2021, he left the Malaysian National Security Council to join the Legal Affairs Department, PMD as the Director General. He was mainly responsible for overseeing national legal affairs. Datuk Mohd Rabin Bin Basir retired from his position as the Director General of the Legal Affairs Department, PMD in Apr 22 after over 34 years of governmental service.</p>
<p><b>Lim Chue Wan</b> <i>Non-Independent Executive Director</i></p>	<p>Lim Chue Wan, a Malaysian aged 55, Non-Independent Executive Director. She was appointed to the Board on 16 Mar 22 and is primarily responsible for overseeing the group's corporate, finance, treasury and accounting matters. She graduated with Bachelor of Arts (Economics) (Honours) from University of Malaya in 1994. She began her career in 1994 as a Branch Officer with United Merchant Finance where she was responsible for the overall daily operations of the branch which included the opening of bank accounts for customers, monitoring loan documentation, preparing monthly reports and daily cash balancing reports.</p> <p>In 1996, she left United Merchant Finance to join Bestwind, Singapore, as an Accounts and Administrative Executive. She was responsible for the overall general administrative matters and the preparation of accounts for the company. She left Bestwind, Singapore in 1997 to join Romewell (M) as an Accounts and Administrative Executive responsible for general administrative and human resource matters, preparation of accounts for the company and liaising with the auditors and bankers. She left Romewell (M) in 2000 to join Aiwa IPC (M) as an Accounts and Administrative Assistant Manager responsible for accounts and administrative matters. In 2002, Aiwa IPC (M) was acquired by Sony Logistics (Malaysia) (now known as Sony Supply Chain Solutions (Malaysia)) and she assumed the position of Senior Officer with Sony Logistics (Malaysia).</p> <p>In 2003, she left Sony Logistics (Malaysia) to join Gapsoft Nonwoven (Malaysia) as the Finance Manager responsible for overseeing finance, accounts, human resource and administrative matters. She left Gapsoft Nonwoven (Malaysia) in 2004 and joined TN-Richland Logistics Services in 2005 as the Finance, Human Resource and Administrative Manager. She assumed similar responsibilities as her previous position in Gapsoft Nonwoven (Malaysia). She was subsequently promoted to Senior Finance, Human Resource and Administrative Manager in 2006.</p> <p>In 2008, she left TN-Richland Logistics Services and joined Toyoplas Manufacturing (Dongguan) Co, China as the Deputy General Manager (Accounts, Finance, Administrative, Human Resource and Procurement Division) responsible for overseeing the company's finance and accounting matters as well as its human resource, administrative, procurement and environmental, safety and health functions. In 2010, she left Toyoplas Manufacturing (Dongguan) Co, China and in 2011 was appointed as a director of Pen-M (M) overseeing the accounting and administrative department.</p> <p>In 2012, she resigned as a director of Pen-M (M) and joined Toyoplas Manufacturing (M) as the Deputy General Manager (Accounts, Finance, Administrative, Human Resource and Procurement Division). She resigned from Toyoplas Manufacturing (M) in 2014 and rejoined Pen-M (M) as an Accounts, Human Resource and Administrative Manager. In 2020, she joined the company as the Director of Corporate, Finance and Accounts. She assumed her present role as an Executive Director of the company in 2022.</p>

Key Personnel	Experience & Background
<p><b>Alex Miranda Juntado</b> Non-Independent Executive Director</p>	<p>Alex Miranda Juntado, an American aged 59, Non-Independent Executive Director. He was appointed to the Board on 31 May 13 and is primarily responsible for the business development of the group. He began his career in 1985 as a Quality Inspector with Seagate Technology, USA where he was responsible for workmanship and product quality. He rose through the ranks as Quality Leader (1986), Production Supervisor (1987) and Purchasing Officer (1992).</p> <p>Subsequently in 1995, he was promoted to Production Manager responsible for manufacturing management. He became the Program Manager in 1997 responsible for managing product development and production schedule. In 1999, he left Seagate Technology, USA and joined GSS Array Technology Inc, USA as a Program Manager responsible for manufacturing management and customer service. In the same year, he resigned from GSS Array Technology Inc, USA and joined Flextronics (currently known as Flex) in the US as a Program Manager responsible for manufacturing management and customer service. In 2001, he left Flextronics, USA and joined 2Wire Inc, USA as a Purchasing Officer responsible for supply chain management.</p> <p>In 2009, he left 2Wire Inc, USA to set up 2COZ Technology where he provided services to rework defective or outdated products to Toyoplas Manufacturing (M) and its customers in the US. In 2010, he ceased his venture under 2COZ Technology and was appointed as the Director of Cape Manufacturing. In 2013, he was appointed as Director of the group. In 2021, he was appointed as the Senior Vice President of Business Development of the company and is primarily responsible for business development.</p>
<p><b>Tan Sik Hui</b> Senior Independent Non-Executive Director</p>	<p>Tan Sik Hui, a Malaysian, aged 49, Senior Independent Non-Executive Director. She was appointed to the Board on 5 May 22. She is also Chairperson of the Nominating Committee of the group. She obtained her Bachelor of Commerce from The University of Western Australia, Australia in 1995.</p> <p>She began her career in 1995 in The Pacific Bank (now known as Malayan Banking) as a Credit and Risk Analyst in the "Privilege" Banking Division of the Gleneagles Branch in which she was primarily responsible for preparing, analysing and proposing loan documentations for bank borrowers and the submission of credit or loan applications to the Executive Committee Board for approval as well as preparing and carrying out credit and risk analysis. She was then promoted to be the Assistant Branch Manager in 1996 and was responsible for overseeing the servicing of clients in the premier banking branch in Gleneagles.</p> <p>In 1998, she left the company and joined HLG Securities (now known as Hong Leong Investment Bank) as an Analyst and was primarily involved in researching and analysing data in the oil and gas and timber sectors. After working as an Analyst for several months, she requested for an internal transfer to join the dealing team as a Dealer Representative for high net worth clients. She left the company in 1999 to join PhileoAllied Bank (Malaysia) (now known as Malayan Banking) as a Manager where she assisted in the establishment of a new private banking department. She left the company in the same year. Subsequently, from 1999 to 2001, she worked with Canadian Imperial Bank of Commerce, based in Singapore, as the Associate Director in the private banking department and was primarily responsible for product structuring and servicing of high net worth individuals in Malaysia, Singapore, Thailand, Hong Kong and Japan. She took a career break from 2001 to 2003.</p> <p>In 2003, she joined Merrill Lynch (Asia Pacific) (now known as Bank of America Corporation), based in Hong Kong, and assumed the role of a Vice President in the Investment Advisory Department, Private/Institutional Clients in which she was primarily responsible for servicing investors, discussing and implementing investment strategies as well as leading trading activities. She was subsequently transferred to the Beijing branch in China in 2004 wherein she assumed the same role as Vice President in the Investment Advisory Department, Private/Institute Clients, where her role was mainly in advisory of equity investments and trading activities of Mainland China investors whose companies are listed in the US or Hong Kong. She continued her role as Vice President until she left the company in 2015 and took a two-month career break before she joined a boutique investment consulting firm in China named House of Qin from 2016 to 2017 as the Executive Vice President for Equities. She was responsible for implementing investment funds' investment strategies and managing their portfolio trading activities.</p> <p>In 2017, she co-founded M Academy China, an artiste management company based in China, and assumed the role of Chief Executive Officer. She was primarily responsible for planning and overseeing the business development of the company as well as handling the sourcing of artistes and music ventures. She left M Academy China in 2020. Upon returning to Malaysia in 2020, she joined Longhouse Films, a film investment and production company, as a Managing Director, a position she held until Jul 22. She was primarily responsible for planning and overseeing the corporate, financial and business development of the company. From Aug-Oct 22, she worked at PTS Impression, a wholly-owned subsidiary of Yong Tai, a public company listed on the Main Market of the Bursa Securities, as its Chief Marketing Officer. PTS Impression is principally involved in the development and operation of tourism stage performances, transportation and investment holding of a subsidiary principally involved in event organising management. She was primarily responsible for the marketing and event coordination of Encore Melaka, a performing arts theatre located in Impression City, Melaka. She took a career break in Nov 22. Since Dec 22, she has been running her own consulting company under MFG Entertainment which does consulting work in entertainment for events and music.</p>

Key Personnel	Experience & Background
<b>Yau Yin Wee</b> Independent Non-Executive Director	<p>Yau Yin Wee, a Malaysian aged 65, Independent Non-Executive Director. He was appointed to the Board on 5 May 22. He is also the chairman of the Remuneration Committee and a member of the Nominating Committee and Audit Committee. He graduated with a Bachelor of Science from the University of South Alabama, College of Business and Management Studies, US, in 1983. Upon graduation, he joined Hong Leong Finance in 1983 as a Marketing and Credit Executive. He was promoted to Branch Manager in 1987. In 1991, he was re-designated as Hire Purchase Centre Manager to set up the bank's automobile business in Perak. He was promoted to the position of Corporate and Commercial Manager (Senior Manager) in 1996.</p> <p>In 2005, he left Hong Leong Bank to join AmBank (M) as Senior Manager responsible for business development and credit. In 2010, he was transferred to the Corporate and Institutional Banking department of AmInvestment Bank as an Associate Director. He was transferred to AmBank (M) as Vice President of Corporate Banking in 2014.</p> <p>In 2015, he left AmBank (M) to rejoin Hong Leong Bank as the General Manager of Retail Community Business. In the same year, he was appointed as Senior Regional Head (Southern Region) of the bank, a position he held until his retirement in 2021. He has more than 30 years of experience in the banking industry. He was a committee member of Institut Bank-bank Malaysia (IBBM) (Perak and Johor Chapter) from 1992 to 2014. For some of these years, he also served as the Chairman. In 2021, he was appointed as a general committee member for MICCI.</p>
<b>Chen Kok Seng</b> Independent Non-Executive Director	<p>Chen Kok Seng, a Malaysian aged 68, Independent Non-Executive Director. He was appointed to the Board on 5 May 22. He is also the chairman of the Risk Management Committee and a member of the Audit Committee and Remuneration Committee. He joined his family's partnership business Syarikat Lee Huat Plastic Industries (Lee Huat Plastic) as an apprentice in 1971. As an apprentice, he worked on the factory floor as an operator and technician, and was later involved in sales and marketing before assuming the overall management of the company. He rose through the ranks until he became a director in Mar 81, where Lee Huat Plastic was terminated and his family incorporated a private limited company known as Lee Huat Plastics Industries (which subsequently changed its name to LH Plus in 2011).</p> <p>He is the chief executive officer of Lee Huat Plastics Industries from 1998 to date. As the Chief Executive Officer, he is responsible for the company's expansion and progress from Original Equipment Manufacturing (OEM) to Original Design Manufacturing (ODM) and Original Brand Manufacturing (OBM) in the plastics industry. He contributes to the plastics industry as the President of Malaysian Plastics Manufacturers Association (MPMA) from 1998 to 2004, and as its Honorary President, an advisory position held since 2004. From 1998 to the present, he is also the Chairman of the Malaysian Plastics Design Centre (MPDC) where he championed MPDC's mission to promote a design culture for the plastics industry. He was also a Council Member/Director of the Human Resource Development Corporation from 1998-2006.</p> <p>From 2000 to the present, he is also the Secretary General of Asia Plastics Forum (APF) which comprises 12 member-countries – Bangladesh, China, India, Indonesia, Japan, Malaysia, Myanmar, the Philippines, Singapore, Sri Lanka, Thailand and Vietnam. APF was established primarily to share and exchange information on the plastics industry concerning, among others, the economics and issues related to the plastics industry. APF currently focuses on carbon footprint, carbon dioxide emission, sustainability, the 3R's (reduce, reuse and recycle), circular economy, and ESG. As the Secretary General, he represents APF in the Global Plastics Alliance, engaging with various organisations such as the American Chemistry Council and Plastics Europe. He was also the Secretary-General of the ASEAN Federation of Plastics Industries from 1992 to 1994. Since 2017, he has been the President of Malaysian Consortium of Mid-Tier Companies. As a President of MCMTC, he represents MCMTC in its dealings with outside parties such as the ministries and its Agencies, Media and other Associations and Chamber of Commerce. He also provides leadership and mobilises the expertise and experience of members towards a strategic alliance for sustainable growth and collaboration to increase business opportunities and transform Mid-Tier Companies (MTC) into regional and global champions.</p>
<b>Koh Beng San</b> Independent Non-Executive Director	<p>Koh Beng San, a Malaysian aged 48, Independent Non-Executive Director. He was appointed to the Board on 5 May 22. He is also the Chairman of the Audit Committee and a member of the Risk Management Committee, Nominating Committee and Remuneration Committee. He was admitted as an Association of Chartered Certified Accountants (ACCA) Member in 2001 and Fellow Member in 2006. He was also admitted as a Malaysian Institute of Accountants (MIA) member in 2002 and an ASEAN Chartered Public Accountant (ASEAN CPA) member in 2021.</p> <p>He began his career in 1998 as a Trainee Audit Assistant in JPL Wong &amp; Co, Singapore. In 1999, he left JPL Wong &amp; Co to join BDO Binder as an Audit Assistant. In 2002, he left BDO Binder to join Tru-Tech Engineering (M) as an Accountant responsible for finance and accounting. He subsequently left the company and joined Southern Industrial Gas in 2003 as the Finance Manager (re-designated to Manager (Finance, Accounts, Strategies Management &amp; Audits) in 2004). He was responsible for the group's treasury, accounting and finance functions. In 2015, he was promoted to Finance Director. In addition to his then current responsibilities, he was also put in charge of matters relating to the group's human resources, administration, procurement and information technology. While working for Southern Industrial Gas, he also sat on the board of Southern Nitrous Oxide, a related company of Southern Industrial Gas. He resigned from his position as a director of the company in 2019 and subsequently left Southern Industrial Gas in 2020.</p> <p>In 2018, he founded Koh BS &amp; Co, which provides company secretarial and accounting services. Koh BS &amp; Co is registered with the Malaysian Institute of Accountants (MIA). In 2021, he also founded Elitinity which provides business advisory and consultancy services. In 2020, he was appointed as a Non-Executive Independent Director and the Chairman of the Audit Committee of Renaissance United, a public company listed on the Mainboard of the Singapore Exchange, a position he still holds as at 4 Jan 23.</p>

Source: CAPE

## FINANCIAL STATEMENTS

### PROFIT & LOSS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F
<b>Net Turnover</b>	<b>344.3</b>	<b>438.0</b>	<b>647.4</b>	<b>785.1</b>
EBITDA	41.3	67.8	92.0	124.7
Depreciation & Amortisation	10.6	18.3	22.2	25.6
EBIT	30.7	49.5	69.8	99.1
Associate Contributions				
Net Interest Income/(Expense)	(5.3)	(8.7)	(9.6)	(10.6)
<b>Pre-tax Profit</b>	<b>25.4</b>	<b>40.8</b>	<b>60.2</b>	<b>88.5</b>
Tax	0.9	(7.3)	(10.8)	(15.8)
Minorities	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>26.3</b>	<b>33.5</b>	<b>49.5</b>	<b>72.7</b>
<b>Net Profit (Adjusted)</b>	<b>26.3</b>	<b>33.5</b>	<b>56.1</b>	<b>72.7</b>

### CASH FLOW

Year to 31 Dec (RMm)	2021	2022	2023F	2024F
<b>Operating</b>	<b>33.1</b>	<b>20.6</b>	<b>46.7</b>	<b>53.3</b>
Pre-tax Profit	25.4	40.8	60.2	88.5
Tax	(1.2)	(3.8)	(10.8)	(15.8)
Depreciation & Amortisation	10.6	18.3	22.2	25.6
Associates				
Working Capital Changes	(6.8)	(46.2)	(27.6)	(45.7)
Other Operating Cashflows	5.0	11.6	2.6	0.8
<b>Investing</b>	<b>(46.1)</b>	<b>(12.8)</b>	<b>(95.8)</b>	<b>(28.4)</b>
Capex (Growth)	(46.4)	(16.0)	(95.8)	(28.4)
Investments				
Proceeds from Sale of Assets	0.3	3.2	0.0	0.0
Others	0.0	0.0	0.0	0.0
<b>Financing</b>	<b>40.5</b>	<b>(19.9)</b>	<b>138.9</b>	<b>(21.8)</b>
Dividend Payments	0.0	(13.0)	(16.8)	(21.8)
Issue of Shares	0.0	0.0	155.7	0.0
Proceeds from Borrowings	91.5	26.3	0.0	0.0
Loan Repayment	(88.3)	(6.1)	0.0	0.0
Others/Interest Paid	42.1	(15.1)	0.0	0.0
<b>Net Cash Inflow (Outflow)</b>	<b>27.4</b>	<b>(12.0)</b>	<b>89.7</b>	<b>3.1</b>
<b>Beginning Cash &amp; Cash Equivalent</b>	<b>10.6</b>	<b>37.8</b>	<b>25.7</b>	<b>115.4</b>
Changes Due to Forex Impact	(0.2)	(0.1)	0.0	0.0
<b>Ending Cash &amp; Cash Equivalent</b>	<b>37.8</b>	<b>25.7</b>	<b>115.4</b>	<b>118.6</b>

Source: CAPE, UOB Kay Hian

### BALANCE SHEET

Year to 31 Dec (RMm)	2021	2022	2023F	2024F
Fixed Assets	201.3	217.4	291.0	293.9
Other LT Assets	17.6	16.9	16.9	16.9
Cash/ST Investment	46.4	41.3	131.0	134.2
Other Current Assets	135.9	207.9	276.4	347.4
<b>Total Assets</b>	<b>402.1</b>	<b>484.3</b>	<b>716.1</b>	<b>793.1</b>
ST Debt	39.9	64.4	64.4	64.4
Other Current Liabilities	80.5	98.3	139.5	165.6
LT Debt	59.8	74.2	74.2	74.2
Other LT Liabilities	52.3	52.4	52.4	52.4
Shareholders' Equity	169.6	195.0	385.6	436.5
Minority Interest	0.0	0.0	0.0	0.0
<b>Total Liabilities &amp; Equity</b>	<b>402.1</b>	<b>484.3</b>	<b>716.1</b>	<b>793.1</b>

### KEY METRICS

Year to 31 Dec (%)	2021	2022	2023F	2024F
<b>Profitability</b>				
EBITDA Margin	12.0	15.5	14.2	15.9
Pre-tax Margin	7.4	9.3	9.3	11.3
Net Margin	7.6	7.7	8.7	9.3
ROA	6.5	6.9	6.9	9.2
ROE	15.5	17.2	14.5	16.6
<b>Growth</b>				
Turnover	104.6	27.2	47.8	21.3
EBITDA	26.7	64.2	35.7	35.5
Pre-tax Profit	11.7	61.1	47.5	46.9
Net Profit	29.8	27.7	47.5	46.9
Net Profit (Adjusted)	29.8	27.7	67.2	29.6
EPS	29.8	27.7	67.2	29.6
<b>Leverage</b>				
Debt to Total Capital	24.8	28.6	19.4	17.5
Debt to Equity	58.8	71.1	35.9	31.8
Net Debt/(Cash) to Equity	31.5	49.9	2.0	1.0
Interest Cover (x)	(5.8)	(5.7)	(7.3)	(9.3)

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