

IPO

ACE Market-bound EPB sets IPO price at 56 sen, to raise RM62.5m

By Justin Lim / theedgemalaysia.com

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(From left) EPB Group Bhd independent non-ED (non-executive director) Stephen Chua Chee Keong, EPB independent non-ED Ooi Hun Pin, Wyncorp Advisory Sdn Bhd director Moh Jiun Haur, EPB deputy managing director (deputy MD) Liew Meng Hooi, EPB independent non-executive chairman Noor Azman Nordin, EPB MD Yeoh Chee Min, EPB ED Ooi Kim Kew, Malacca Securities MD Lim Chia Wei, and EPB independent non-ED Khor Chai Tian at the IPO prospectus launch on Thursday, June 27, 2024. (Photo by Shahrin Yahya/The Edge)

KUALA LUMPUR (June 27): One-stop food processing and packaging machinery solutions provider EPB Group Bhd, which is set to debut on the ACE Market of Bursa Malaysia on Aug 23, has set its initial public offering (IPO) price at 56 sen, to raise RM62.48 million for the company and its offerors.

Its IPO entails a public issuance of 71.57 million new shares and an offer for sale of up to 40 million existing shares.

With an issue price of 56 sen per share, it will raise RM62.48 million for the company and its offerors.

At the IPO price of 56 sen per share, EPB will have a market capitalisation of RM208.32 million ahead of its debut. The IPO price of 56 sen values the company at about 14.62 times based on its net profit of RM14.26 million for FY2023 and enlarged issued shares capital of 372 million shares.

The group's diluted earnings per share is 3.83 sen.

At its prospectus launch on Thursday, the group said RM40.08 million of the proceeds will be raised from the issuance of 71.57 million new shares.

The IPO includes an offer for the sale of 40 million existing shares by EPB shareholders to selected investors, as well as Bumiputera investors approved by Ministry of Investment, Trade and Industry (Miti) by way of private placement.

Of the RM40.08 million raised from the new share issuance, RM24.6 million will be used for factory expansion, RM3 million for repayment of bank borrowings, RM8.48 million for working capital, and the remaining of RM4 million for estimated listing expenses.

Looking forward, its managing director Yeoh Chee Min said he is positive about the outlook for the processing machinery business.

Yeoh explained that growth in the local food and beverage (F&B) processing machinery industry is driven by several factors. The country's labour shortage has led to increased adoption of industrial automation, boosting demand for processing machinery.

Additionally, a growing population results in higher food consumption, further supporting the need for F&B processing machinery. Stricter food safety and hygiene regulations also contribute to this rising demand.

Quoting the independent market research, Yeoh said the Malaysian food and beverage (F&B) processing machinery industry is expected to grow from RM1.90 billion in 2024 to RM2.84 billion in 2028, registering a compound annual growth rate (CAGR) of 10.4%.

The group's net profit rose 16.09% to RM14.26 million in the financial year ended Dec 31, 2023 (FY2023) from RM12.28 million a year earlier, as revenue surged

37.04% to RM122.12 million, from RM89.11 million previously.

The bulk of its revenue came from food processing and packaging machinery solutions, about 82.33% or RM100.54 million of its total revenue of RM122.12 million in FY2023. Its trading of cellulose casings accounted for RM14.56 million (11.92%) of total revenue, and manufacturing and trading of flexible packaging materials accounted for RM7.02 million (5.75%).

Malaysia is EPB's major market, while the Philippines and Indonesia are the group's biggest exporting countries.

The group's gross profit margin has been hovering at around 33% between FY2020 and FY2023.

However, its profit after tax (PAT) margin was in a declining trend over the past three years, from 15.75% in FY2021, and declined to 13.78% in FY2022 and 11.68% FY2023.

Yeoh attributed the drop in its PAT margin in FY2023 to the increase in administrative expenses and deferred tax incurred for its offshore subsidiary.

Meanwhile, the group does not have any formal dividend policy.

However, Yeoh said it targets to distribute a dividend of 25% of its net profit to shareholders in the future.

The group declared RM3.02 million, RM5.64 million, RM200,000 and RM2.7 million in dividends for FY2020, FY2021, FY2022 and FY2023, representing dividend payout ratios of 47.97%, 47.27%, 1.63% and 18.94% respectively.

Applications for the public issue portion are open from June 27 and will close at 5pm on July 31, 2024.

Malacca Securities Sdn Bhd is the principal adviser, sponsor, underwriter and placement agent for the IPO exercise, while WYNCORP Advisory Sdn Bhd is the corporate finance adviser.

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Edited By Surin Murugiah & Isabelle Francis