

## Pioneer in Fully-Assembled Automotive Seat

**FEYTECH HOLDINGS BERHAD**
**Fair Value: RM0.92 (+15.00%)**

### Company Description

Feytech Holdings Berhad (“Feytech”) is principally involved in the manufacturing of automotive seats, automotive covers for automotive seats and interior parts such as door ornaments, steering wheels, gear knobs, handbrake handles and consoles.

### Investment Highlight

- Strong recovery and positive long-term outlook in automotive industry:** The automotive industry posted 702,275 units of passenger and commercial vehicles produced and 720,658 units of passenger and commercial vehicles sold in 2022. A steady increase sale of 774,600 units and 799,731 units, respectively recorded in 2023. This shows strong recovery after the Novel Coronavirus Disease 2019 (“COVID-19”) pandemic compare to the total automotive vehicle sold of 508,911 units and production of 481,651 units in 2021. Moving forward, in tandem of improved consumer spending and more competitive price from electric vehicle (“EV”) segments, demand for automotive seat is expected to go up.
- Low market share reflects more room for growth:** Feytech garnered market share of 25.9% of the automotive cover and 2.5% of automotive seat for financial year end (“FYE”) 2023 – where automotive cover and seat industries are RM503.5 million (“mn”) and RM3.3 billion (“bn”) respectively. Hence, more room of growth for the Group.
- RM32.0bn foreign direct investment (“FDI”) in 10 years:** Malaysia is expecting RM32.0bn worth of investment over the next 10 year – through the cooperation of DRB-HICOM Berhad and Zhejiang Geely Holding Group Co Ltd – to collaborate in the development of the Automotive High-Tech Valley (“AHTV”) in Tanjung Malim, Perak. As more major automotive vehicle manufacturers decide to invest their manufacturing and production facilities in Malaysia, demand for automotive seat and cover will increase in line with the rising production of automotive vehicle.
- Growth in second-hand cars industry fuels demand for automotive cover:** The prospect of second-hand car market is expected to grow at a CAGR of 10.0% between 2022 and 2025 – driven by the growing disposable income of the local population which would lead to more spending power. Following the new registration of Road Transport Department Malaysia (“JPJ”), automotive covers may need to be replaced or repaired based on individual preference. Hence, this will pump in more business transaction for the replacement equipment manufacturer (“REM”) market segment.

### Valuation / Recommendation

We derive a fair value of RM0.92 based on 12x multiple to its FYE2025F EPS of 7.72sen. The IPO aims to raise approximately RM201.6mn from the issuance of 252.94mn new shares. A total of 47.52% of proceeds will be utilised for repayment of capital expenditure, 45.5% is allocated for general working capital, while the remaining 6.98% of the proceeds will be utilised for listing expenses.

As of FYE2023, the Group’s current ratio is above 1x at 3.2x reflecting a strong capacity to repay its current liabilities. In terms of funding ability, Feytech shows healthy ability, given the low gearing ratio below 1x at 0.1x. Coupled with the strong automotive vehicle recovery and the rising trend of environmental care focusing EV, we see upward trajectory for the group performance in the long run.

### IPO TIMELINE

Opening Date	2 May 2024
Closing Date	8 May 2024
Listing Date	21 May 2024

IPO Price (RM)	0.80
Expected Return	15.00%
Market/ Sector	Automotive
Bursa Code	5322

IPO Details	Shares(mn)
Offer for Sale	109.62
Public Issue	143.33
Enlarged share	843.20
	RM(mn)
Market Cap	674.56
Shariah compliant	Yes

Major Shareholders	Shares(mn)	(%)
Tan Sun Sun	295.13	35.00
Go Yoong Chang	225.14	26.70
Connie Go	70.29	8.30

Utilisation of IPO Proceeds	RM(mn)	(%)
Acquisition of land	11.60	10.12
Construction of new corporate office with new manufacturing plant and warehouse	21.13	18.42
Construction of new Kulim Plant 2	18.76	16.36
Purchase of new machineries	3.00	2.62
Working capital	52.18	45.50
Estimated listing expenses	8.00	6.98
<b>Total</b>	<b>114.66</b>	<b>100.00</b>

Allocation	Shares(mn)	(%)
<b>Public Issue</b>		
Malaysian Public via balloting process:		
• Public investors	21.08	2.50
• Bumiputera public investors	21.08	2.50
Eligible Parties	25.30	3.00
Placement to selected investors	75.87	9.00
Subtotal	143.33	17.00
<b>Offer for sale</b>		
Bumiputera investors approved by MITI	105.40	12.50
Other institutional and selected investors	4.22	0.50
Subtotal	109.62	13.00
<b>Total</b>	<b>252.94</b>	<b>30.00</b>

**Total enlarged share capital upon listing 843.20**

Source: Company Prospectus

### Key Financial Summary

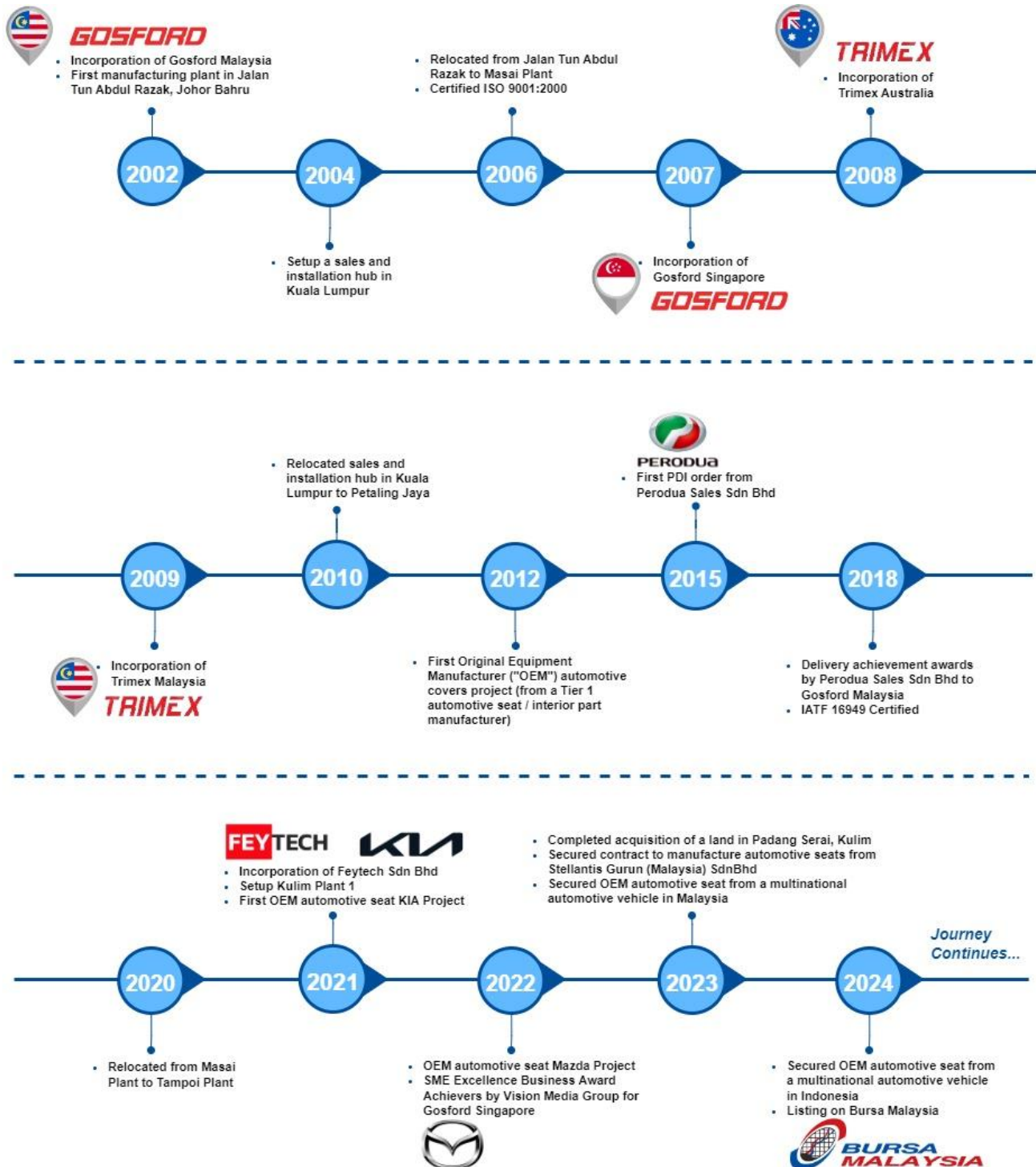
FYE Dec (RMmn)	2022A	2023A	2024F	2025F	2026F
Revenue	126.88	211.22	253.10	313.24	401.26
Gross Profit	49.81	80.80	96.82	119.83	153.50
Pre-tax Profit	36.99	60.06	71.97	89.07	114.10
Core Net Profit	27.59	43.88	52.57	65.07	83.35
Core EPS (Sen)	3.27	5.20	6.24	7.72	9.89
P/E (x)	24.45	15.37	12.83	10.37	8.09
DPS (Sen)	1.18	1.84	2.49	3.09	3.95
Dividend Yield (%)	1.48	2.30	3.12	3.86	4.94

Source: Company Prospectus, Eco Asia Research Estimates  
EPS, P/E and DPS from 2022A to 2023A (pre-IPO) are on pro-forma basis for comparative purposes only.

**Company Background**

The Group was incorporated in Malaysia under the Act on 11 April 2023 as a private limited company under the name of Feytech Holdings Sdn Bhd. On 24 August 2023, Feytech was converted into a public company and assumed its present name. It became the investment holding company of Gosford Malaysia, Feytech SB, Trimex Malaysia, Gosford Singapore and Trimex Australia – following the completion of the Acquisitions on 11 March 2024. The following illustration shows milestones of Group’s history and development.

**Key Milestones**



Source: Company Prospectus

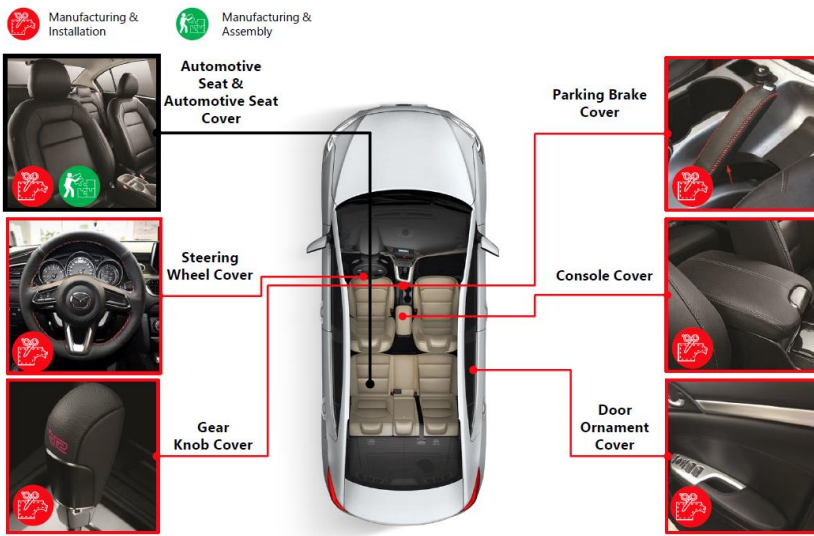
**Product Portfolio**

**Manufacturing of automotive covers:** The manufacturing of automotive covers produced mainly from leather or synthetic leather automotive cover materials. The automotive seat covers are the main product category sold. Its revenue to the Group comprises between 45.3% and 75.2% during the past 4 FYEs 2020, 2021, 2022 and 2023 ("FY Under Review"). In addition – Feytech manufactures interior part covers for interior parts such as door ornaments, steering wheels, gear knobs, handbrake handles and consoles – which contributed between 16.3% and 25.3% of Group’s total revenue during the FY Under Review.

**Manufacturing of automotive seats:** The Group started manufacturing automotive seats in 2021 catering original equipment manufacturer ("OEM") market segment – manufactured according to the design and specifications provided by the automotive vehicle OEM. Two current main international brands served are Mazda and Kia.

Model	Automotive Seat Cover	Interior Part Cover	Sales of Automotive Seats
 CX-30	✓	✓	✓
 CX-5	✓	✓	
 CX-8	✓	✓	
 Kia Carnival		✓	✓
 Kia Sorento		✓	✓



Plant/Hub Location	Manufacturing Automotive Covers	Installation Automotive Cover	Manufacturing Automotive Seats
Kulim Plant			✓
Petaling Jaya Hub		✓	
Tampoi Plant	✓	✓	



Source: Company Prospectus

**Ongoing And New Secured Contracts from Customers**

Feytech earned good reputation as an automotive cover manufacturer that capable to manufacture automotive seats. Independent Market Research ("IMR") stated that the Group is the third largest automotive cover manufacturer in Malaysia for the duration of 2021, 2022 and 2023 by revenue – which garnered market share of 23.1%, 25.6% and 25.9% respectively. Below is the summary of its ongoing and new secured contracts:

Key brands served	Years of relationship	Service offered	
		Automotive cover	Automotive seats
	2 years	Currently supplying	Currently supplying
	8 years	Currently supplying	Currently supplying
<b>New Client 1</b>	-	Secured both cover and seats - not yet commende production	
<b>New Client 2</b>	-	Secured both cover and seats - not yet commende production	
<b>Local OEM</b>	11 years	Currently supplying	To be secured

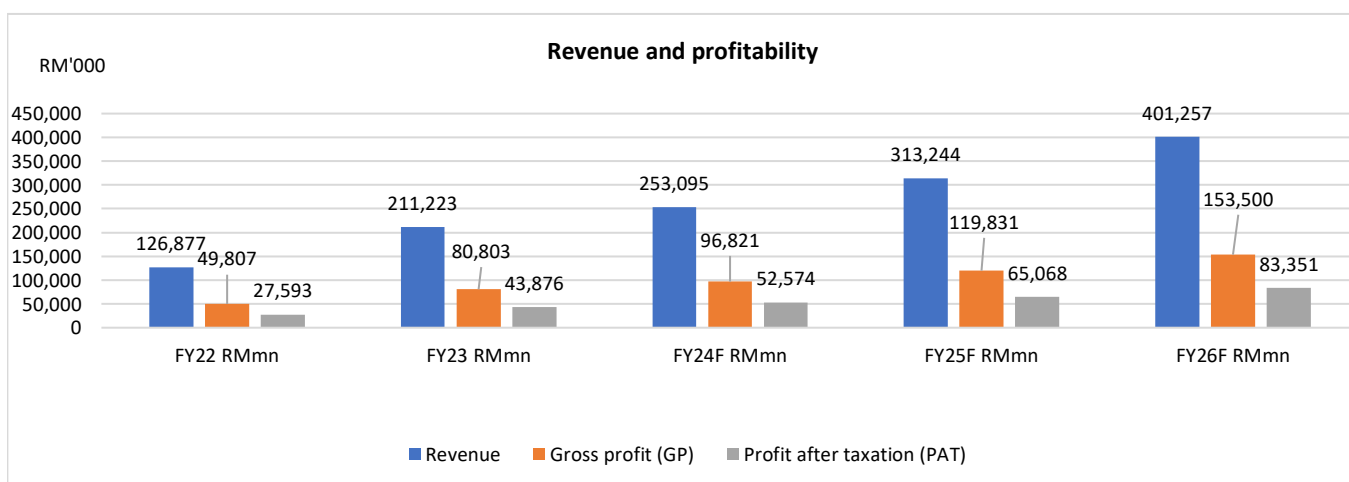
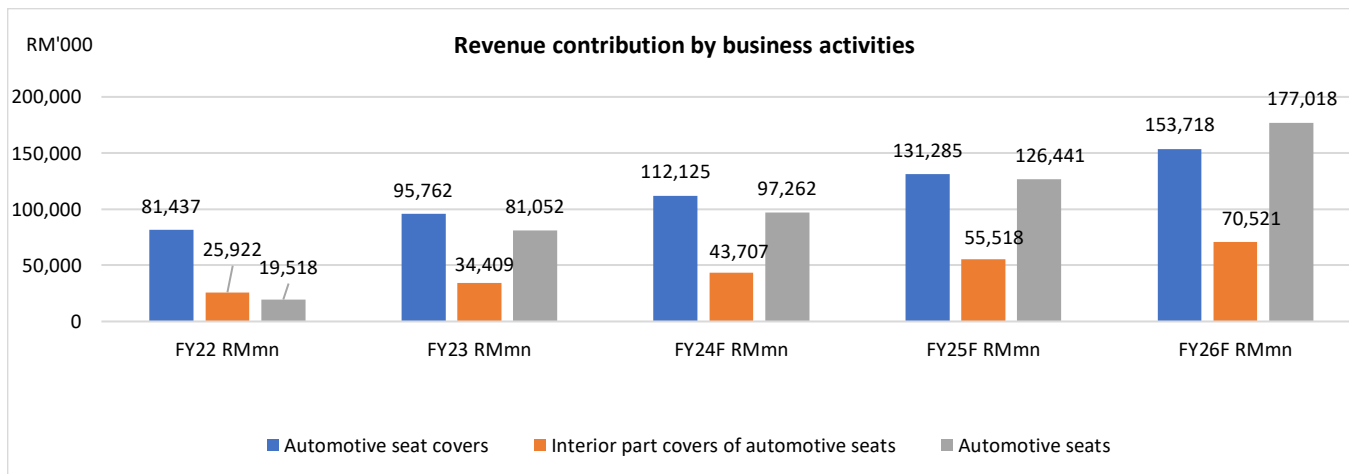
Source: Company Prospectus



Source: Company Prospectus

## Revenue and Profitability

The Group's revenue from FYE2022 to FYE2023 was mainly derived from its Automotive seat covers that contributed 45.34% of total revenue – as of FYE2023. Revenue contributions by business activities as well as the revenue and profitability from FYE2022 to FYE2023, FYE2024F, FYE2025F and FYE2026F are as below:



Source: Company Prospectus / Eco Asia Research Estimates

## Future Plans

Feytech's future plans and business strategies are as below:

- **Expansion of automotive seat manufacturing operations to cater growing automotive seats orders:**
  - Intend to construct Kulim Plant 2, which will comprise a new manufacturing plant, warehouse, annex office building and staff hostel – The Group strategically acquired a piece of land in Padang Serai, Kulim, Kedah, for this plant.
  - Intends to relocate 1 unit of double conveyor lines for the manufacturing of automotive seats from Kulim Plant 3 to the manufacturing plant at the Kulim Plant 2 – which will provide more space of manufacturing and storage for Kulim Plant 3 and Kulim Plant 2 – to cope with high order volume.
  - Intend to operate in Plant 2 and Plant 3 to maximise Feytech's operation's flexibility.

- **New corporate office with manufacturing plant and warehouse for automotive cover division:**
  - Intend to acquire a piece of land to set up new corporate office with manufacturing plant and warehouse in Klang Valley, which can accommodate installation of automotive covers onto automotive seats and interior parts. This enables the Group to carry out sewing of automotive cover material cut pieces at both the new manufacturing plant in Klang Valley and in Tampoi Plant. Subsequently, enable the Group to efficiently serve existing customers as well as secure more new customers in the urban area.

### Strategic Competitive Advantages and Strengths

**Third largest automotive cover manufacturer in Malaysia:** Over the 21-year of operation, Feytech has built strong reputation in the automotive industry as the third largest automotive cover manufacturer in the country. At the latest practicable date ("LPD"), its clientele from the OEM market segment includes an established automotive vehicle OEMs such as Local OEM, Mazda Malaysia and Kia Malaysia.

**Competent in local and international design and manufacturing standard:** The Group successfully comply with local and international automotive vehicle OEMs design and manufacturing requirements. One of most achievement is to be recognised by the International Standard for Automotive Quality Management Systems ("IATF 16949") for leather automotive cover. This helps Feytech to retain many customers (length of business relationship with top 5 major customers were approximately 7 years).

**Ability to manufacture both automotive seats and automotive covers:** In 2021, The Group expanded downstream in the industry value chain and ventured into the manufacturing of automotive seats. This allows it to provide a complementary range of services to manufacture both automotive seats and covers, to automotive vehicle OEMs. Hence, enable it to cover various market segments, i.e. OEM, pre-delivery inspection ("PDI") and REM market segments.

**High-technology-efficient operating system:** Tampoi Plant utilise automated cutting machineries and automated nesting software in its automotive cover manufacturing processes. This allows optimisation in material usage and reduce wastages of materials – which lead to high efficiency for more profit.

### Key Risks

**Dependent on automotive vehicle OEMs contracts:** Feytech is dependent on automotive vehicle OEMs for the supply of automotive covers and automotive seats, mainly Local OEM, Mazda Malaysia and Kia Malaysia. Any termination or loss contracts will have material adverse impact to its business operation and financial health.

**Dependent on ability to secure new projects:** Contract orders are mainly a need-based business from PDI and REM market segments. Thus, the Group's long-term financial performance is dependent on its ability to constantly secure new orders.

**Exposed to material price fluctuation:** As both leather and synthetic leather automotive cover are imported globally, the material price may fluctuate subject to foreign currency exchanges. Hence, it may impact Feytech's profit margins derived from selling prices.

**Potential delay in production:** The Group is required by automotive vehicle OEMs to purchase interior parts, automotive cover materials and seat parts from Daewon and Toyo. In the event that business relationship between aforementioned OEMs and them ceased, it may face temporary supply disruption.

## Industry Outlook

### **National Automotive Policy (“NAP”) boosts automotive seats and cover demand:**

Through NAP, Malaysia’s Ministry of Investment, Trade and Industry (“MITI”) has been proactively positioning Malaysia as a viable automotive hub. It is done by providing strong government policy support that focus on higher-value automotive components. This attracts automotive vehicle OEMs to consider Malaysia as their regional base – which will increase demands for automotive seats and covers to accommodate the growing number of automotive vehicles manufactured in the country.

**Automotive seats tagged with growing manufacture for vehicle:** The collaborative agreement signed in December 2023 between DRB-HICOM Berhad and Zhejiang Geely Holding Group Co Ltd to develop AHTV is to occupy 1,000 acres – expected to attract RM32.0bn investment over the next 10 years. The big project will house automotive and mobility solutions value chain which are:

- From a full-fledged research and development centre for manufacturers to test their vehicles.
- To a manufacturing cluster and supporting services.

This will give positive impact on the growth of demand for automotive seats and covers to accommodate the number of automotive vehicles manufactured.

**Growing second-hand cars market empowers automotive cover industry:** The market for second-hand cars is growing and we expect to see more upside trajectory – growth expectation at a compound annual growth rate (“CAGR”) of 10.0% between 2022 and 2025. This growth is expected to positively impact the demand for automotive covers for the REM market segment.

## DEFINITION OF RATINGS

Eco Asia Investment Advice uses the following rating system:

### STOCK RECOMMENDATION

**BUY** Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.

**TRADING BUY** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.

**HOLD** Share price may fall within the range of +/- 10% over the next 12 months

**TAKE PROFIT** Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.

**TRADING SELL** Share price may fall by more than 15% in the next 3 months.

**SELL** Share price may fall by more than 10% over the next 12 months.

**NOT RATED** Stock is not within regular research coverage.

### SECTOR RECOMMENDATION

**OVERWEIGHT** The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months

**NEUTRAL** The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months

**UNDERWEIGHT** The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

### Applicability of ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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**17 May 2024**

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**Published and printed by:**

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