

Lead Distributor of Stainless Steel Sanitary
MINOX INTERNATIONAL GROUP BERHAD
Fair Value: 0.36 (+44%)
Company Description

Minox International Group Berhad (Minox) distributes stainless-steel sanitary valves, tubes & fittings, installation components & equipment, rubber hoses under “MINOX®” brand and other related products.

Investment Highlight

- **Regional presences across South East Asia (SEA) countries:** Minox’s distribution channel covers the local market, as well as across SEA countries. The Group’s headquarters is in Malaysia, with regional offices in Indonesia, Singapore and Thailand, as well as representative agents in Taiwan, Philippines and Vietnam. Looking forward, we see more room for future growth, as Minox’s market share is only 1.7% from the huge Asia Pacific market size of USD615.3mn.
- **Expanding into semiconductor industry:** The Group will introduce new product lines that include unions, flange connections and ball valves to supply to the increasing usage of semiconductors from consumer electronic to Internet of Things (IoT) applications. This will be used in production lines of electronic components, solar cells, storage media and light-emitting diode manufacturing plants.
- **Strengthening foothold in Singapore:** In line with the Group’s expansion into the semiconductor industry, Minox will enhance its presence in Singapore by improving the capacity of storing new vacuum fittings and valves to cater to industry needs. Semiconductor growth is mainly driven by investments from global MNCs, ie GlobalFoundries Inc, Siltronic AG, and United Microelectronics Corporation.
- **Above-average gross profit (GP) margin:** The Group posted a resilient GP margin of 59.10 % in FYE2022. Its average GP margin from FYE2019 to FYE2022 is around 56.25%. This is reflective of the Group’s strength in astutely managing its cost of goods sold.
- **Healthy earnings, double digit revenue growth:** We expect robust revenue growth from Indonesia that will contribute significantly and consistently to Group revenue of RM54.9mn (+22%) in FYE2023 and RM65.9mn (+20%) in FYE2024. This is in line with the 2027 industry CAGR growth projection of +6.1%, from USD643.0mn in 2023 to USD825.6mn.
- **Over 20 years solid operating track record:** The Group has established a strong presence as a distributor of “MINOX®” brand of stainless steel sanitary products, and other related products. Over the 25 years of operation, Minox has earned the trust of, and proven its track record with 1,700 active and recurring customers locally and across the SEA Countries.

Valuation / Recommendation

We derive a fair value of RM 0.36 based on 11x multiple to its FYE2024F EPS of 3.3sen, in line with Bursa Malaysia Industrial Products Index PER. The IPO is expected to raise approximately RM22.5mn from the issuance of 90m new shares. A total of 17.8% of proceeds will be utilised for product development and deployment, 40.1% is allocated for construction and setting up warehouses, while the rest of the proceeds will be for repayment of bank borrowing, general working capital and listing expenses.

The Group’s current ratio is above 1x, illustrating its strong ability to repay its liabilities. Meanwhile, the low gearing ratio below 1x suggests healthy ability to funds its future growth via borrowings. In line with the rising demand and huge potential in sanitary valve and fittings industry, we expect solid revenue growth in the coming years.

IPO TIMELINE

Opening Date	20-Sept-23
Closing Date	3-Oct-23
Listing Date	17-Oct-23

IPO Price	0.25
Expected Return	+44%

Market/Sector	ACE / PMO
Bursa Code	0288
Bloomberg Ticker	MINOX MK

IPO DETAILS Shares	RM(mn)
Offer for Sale	18.0
Public Issue	90.0
Enlarged share	360.0

Utilisation of IPO Proceeds	RM(mn) (%)
Product development and deployment	4.0 (17.8%)
Construction of Warehouse 4	4.0 (17.8%)
Setting up a new warehouse in Singapore	5.0 (22.3%)
Repayment of bank borrowings	4.5 (20.0%)
General working capital	1.6 (7.0%)
Estimated listing expenses	3.4 (15.1%)
Total	22.5 (100.0%)

Substantial Shareholders	Share(mn) (%)
Cheong Chee Son	188.9 (51.4%)
Looi Poo Poo	42.8 (10.4%)
Gamal Abdul Nashir	24.9 (4.9%)

Key Financial Summary

FYE Dec (RMmn)	2020	2021	2022	2023F	2024F
Revenue	38.8	34.4	45.0	54.9	65.9
Gross Profit	18.5	22.8	26.6	31.0	37.1
Pre-tax Profit	5.6	10.8	13.5	12.9	15.6
Net Profit	3.5	8.2	10.3	9.9	11.9
EPS (Sen)	1.0	2.3	2.9	2.8	3.3
P/E (x)	25.7	11.0	8.7	8.9	7.6
DPS (Sen)	0.3	0.9	0.4	0.3	0.3
Dividend Yield (%)	1.3	3.8	1.7	1.2	1.2

Source: Company Prospectus, Eco Asia Research Estimates

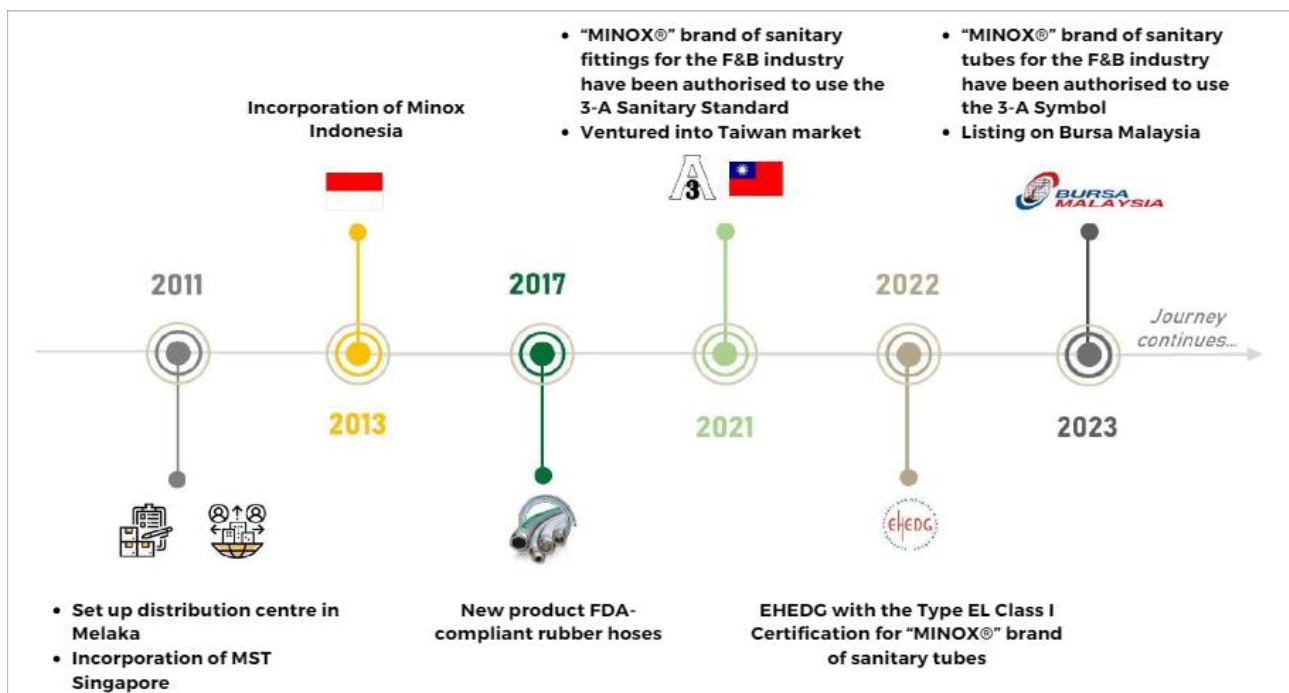
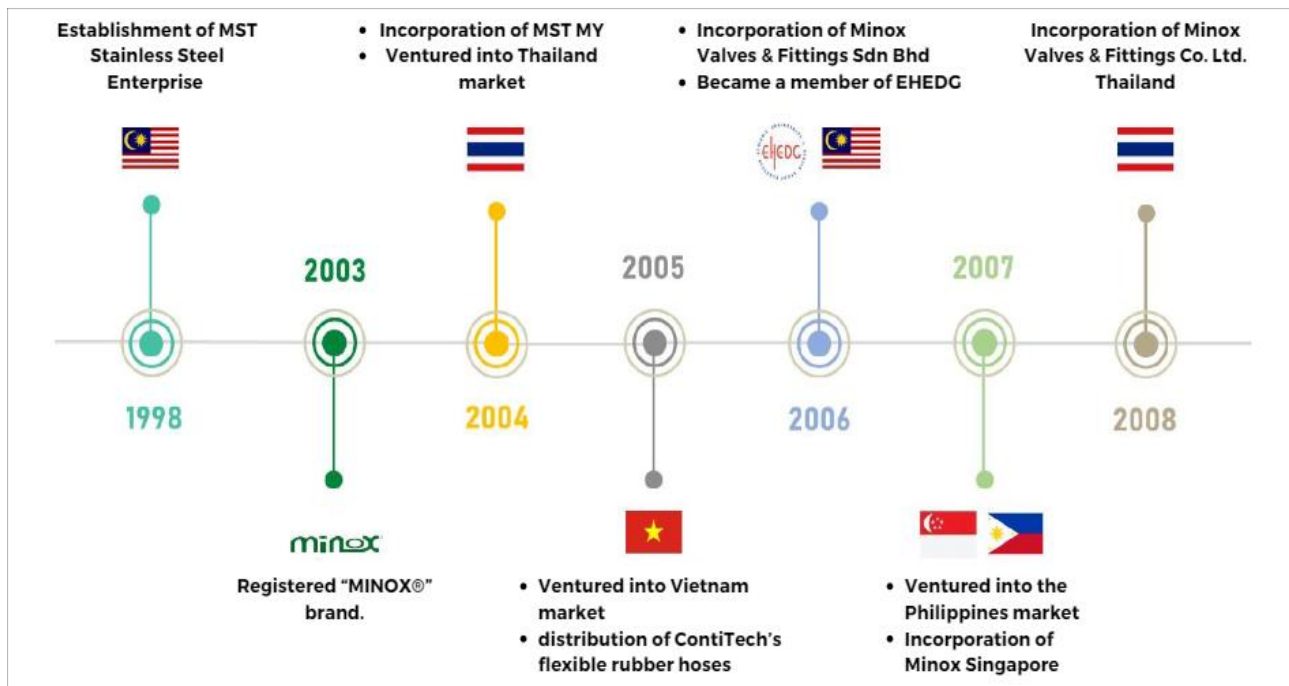
EPS and P/E from 2020A to 2022A (pre-IPO) are on pro-forma basis for comparative purposes only.

Company Background

Minox International Group Berhad (Minox) was incorporated on 18 July 2022 as a private limited liability company and domiciled in Malaysia. The principal place of business is located at 3, Jalan Industri PBP 11, Taman Industri Pusat Bandar Puchong, 47100 Puchong, Selangor. On 16 December 2022, the Company was converted into a public limited liability company and assumed its current name of Minox International Group Berhad.

Principal activities are in the business of distribution of stainless steel sanitary valves, tube & fittings, installation components & equipment, rubber hoses under the "MINOX®" brand and other related products. The group operates in both the domestic and export markets across South East Asia, including Indonesia, Singapore, and Thailand.

Key Milestones



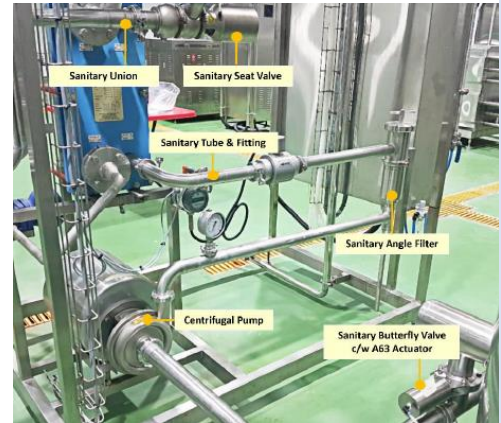
Business Overview

Minox’s core business is in the distribution of its “MINOX®” brand of sanitary products. The Group carries and distributes a total of approximately 7,480 SKUs (stock-keeping units) as latest practicable date (LPD) of 21 August 2023, with the breakdown by product segments as follows:

	No of SKUs as at LPD	
	“MINOX®” brand of sanitary products	Third party brands
Tubes & fittings	5,397	-
Valves	1,129	-
Installation components & equipment	758	12
Rubber hoses	73	80
Other related products	-	31
	7,357	123

Source: Company Prospectus

Product Applications



Key Products

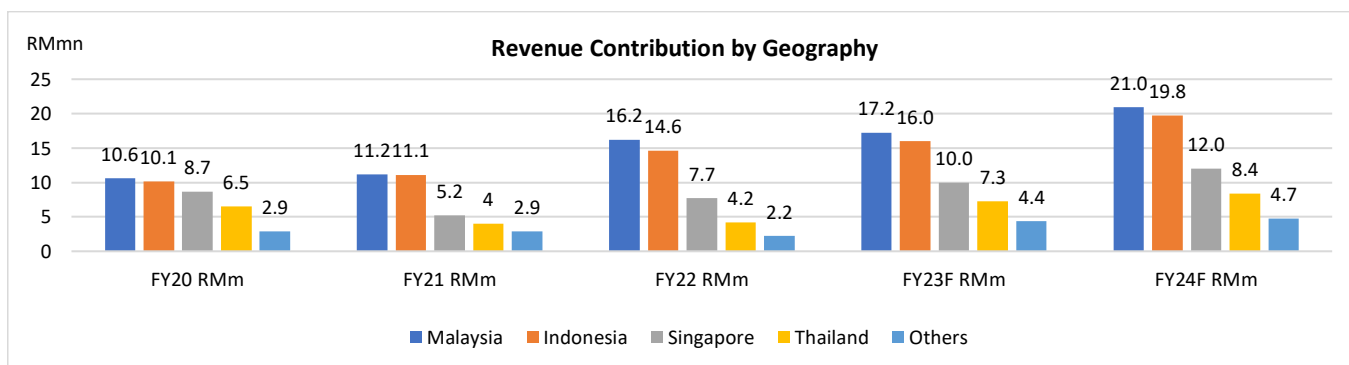
Rubes & Fittings	Unions	Control Heads
Valves	Filtration Equipment	FDA-Compliant Flexible Hose

Source: Company Prospectus

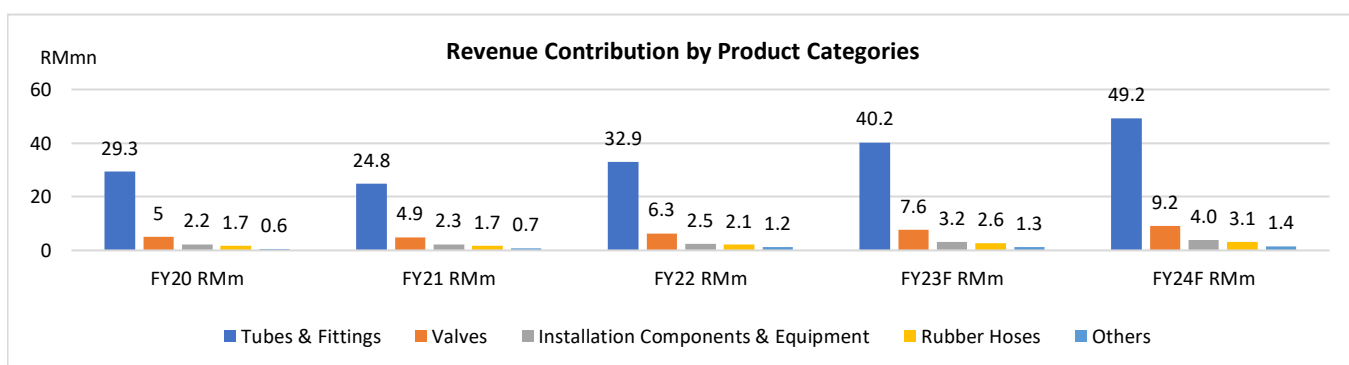
Revenue and Profitability

Revenue for the FYE 2019 to FYE 2022 periods was mainly derived from the sales of tubes & fittings and valves products, at more than 85.0% of Group's total revenue.

Revenue contributions, by geography and main products, for FYE2020 to FYE2022, FYE2023F and FYE2024F are as below:



Note: Others comprise mainly Bahrain, Cambodia, Denmark, Germany, India, Japan, South Korea, Myanmar, Sri Lanka, Spain, Taiwan, the Philippines, United Arab Emirates and Vietnam



Note: Other related products comprise non-sanitary stainless steel products such as square hollow sections, plates and industrial hardware.

Source: Company Prospectus / Eco Asia Research Estimates

Future Plans

In order to achieve sustainable growth, Minox will implement the following business strategies over the 36-month from the date of its listing:

- **Expansion of product offerings for semiconductor industry:** Minox intends to introduce different types of vacuum fittings and valves to expand the product offerings for the semiconductor industry.
- **Construction of additional warehouse (Warehouse 4) in Malaysia:** Minox intends to construct an additional warehouse to store inventories in Puchong, Selangor Malaysia.
- **Expansion of semiconductor industry coverage in Singapore:** Minox will expand its semiconductor industry coverage in Singapore. The Group will also set up an additional warehouse in Singapore to store its new vacuum fittings and valves, and to accommodate the storage of inventories that caters to needs of customers in Singapore. This also covers other overseas market (save for Malaysia, Thailand, Indonesia, the Philippines, Vietnam and Taiwan, whereby inventories are delivered from Warehouse 3 in Puchong, Selangor).

Strategic Competitive Advantages and Strengths

Regional presences across SEA countries: Minox is able to distribute its products in Malaysia, across various SEA countries and neighbouring countries through the Group's headquarters in Malaysia, regional offices in Indonesia, Singapore and Thailand and representative agents in Taiwan, Philippines and Vietnam.

Long operating proven track record: Minox has 25 years of proven track record in supplying various stainless steel sanitary products to both local and overseas customers. From 1 January 2022 up to the last practicable date (LPD), the Group has a customer base of approximately 1,700 active and recurring customers comprising project consultants, contractors and industrial end-customers. The strong-customer base contributes to over 50% average gross profit margin – calculated from FYE2019 to FYE2022.

Quality assurance certified products globally: The "MINOX®" brand of sanitary fittings for the food and beverage (F&B) industry have been authorised to use the 3-A Symbol after strict evaluation to comply with 3-A Sanitary Standards. Additionally, the "MINOX®" brand of sanitary tubes for the F&B industry have been certified with Type EL Class I Certification by EHEDG that complies with EHEDG's hygienic design criteria.

International standards compliance for high quality: Minox offers a comprehensive range of approximately 7,480 SKUs of sanitary products that comply with international standards to cater to the varying needs of clients. This includes sanitary products, such as valves, tubes & fittings, installation components & equipment and rubber hoses.

Strong third-party network from different countries: Since the introduction of the "MINOX®" brand in 2004, Minox has developed a network of third-party manufacturers/suppliers from different countries. As at LPD, Minox works with 12 third-party manufacturers and 1 supplier that supplies the Group with its "MINOX®" brand of sanitary products.

Key Risks

Potential increase in cost of purchase: Minox is dependent on, but has no long-term agreements with third-party manufacturers/suppliers. This may add to the Group's manufacturing costs due to increase in the prices of raw materials.

Infringement of intellectual property rights: Minox faces the risk of infringement of intellectual property rights, with any unauthorised use of its brand name by third-parties adversely affecting its business and reputation.

Exposed to foreign operations risk: Minox is subject to foreign operations risks such as political, economic and regulatory risks, and conditions in countries, such as Asia and Europe, amongst others, which are entirely out of the Group's control.

Exposed to foreign exchange rate risk: Minox is exposed to fluctuations in foreign exchange rates given purchases are predominantly denominated in USD. This may result in the Group recording a higher cost of sales or lower revenue, adversely affecting its GP margin and thus, Minox's financial performance.

Group performance highly dependent on industry performance: Minox is dependent on its industrial end-customers from the F&B, semiconductor and pharmaceutical industries. Negative performance in the industries in which they operate in may result in lower demand for the Group's products – due to reduction in maintenance activities. This may adversely affect its business operations and financial performance.

Industry Outlook

Huge growth in sanitary valves and fittings industry: The expansion in local end-user industries of F&B manufacturing industry, pharmaceutical products, and increasing demand for semiconductors are main factors boosting the growth of sanitary valves and fittings industry. The strong rebound in local F&B services activities that recorded an increase from RM28.60bn in 2021 to RM33.99bn in 2022 signals high and sustainable growth for the industry. Malaysian sanitary valves and fittings industry is expected to grow at a CAGR of 11.2% from RM234.93mn in 2023 to RM363.09mn in 2027. Minox's market share is relatively low at 7.6% compared to the RM213.6mn local market share. At the scale of the Asia Pacific market size of USD615.3mn, the Group's market share is only 1.7%, reflecting huge potential for future growth.

Strong support from local government: The Malaysian government encourages innovation and advanced technology adoption for industry players. Based on Malaysian Investment Development Authority's ("MIDA") record in 2022, 93 projects worth RM3.50bn in the food manufacturing industry and another 8 projects worth RM112.90mn in the beverages and tobacco industry were implemented.

IPO Allocation

Allocation	No. of Shares	%
<u>Public Issue</u>		
Malaysian Public via balloting process:		
• Public investors	9,000,000	2.50
• Bumiputera public investors	9,000,000	2.50
Eligible parties	10,800,000	3.00
Placement to selected investor by MITI	45,000,000	12.50
Placement to selected Bumiputera investors by MITI	16,200,000	4.50
Subtotal	73,800,000	25.00
Offer for sale:		
Placement to selected investors	18,000,000	5.00
Subtotal	18,000,000	5.00
Total	108,000,000	30.00

Source: Company Prospectus

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

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