

BWYS Group Berhad (BWYS)

Growing Through The Roofs

- Established in 1999, BWYS primarily involves in the manufacturing of sheet metal products, supply of scaffoldings, and trading of steel materials and steel-related products.
- Moving forward, we project topline to grow at 4%-13% to RM279.1m-311.3m for FY24f-26f, while projecting its core net profit to increase by 9.5%-41.0% to RM24.9m-30.8m supported by group's expansion plans into new foreign markets to achieve greater market reach, as well as the expansion of operation facilities to boost manufacturing capacity to cater for the growing demand in the construction sector.
- We ascribe a fair value of RM0.35 for BWYS (upside of 59.0% against IPO price of RM0.22). The fair value is derived by pegging a P/E of 12.7x to the FY25f EPS of 2.74sen. We believe a P/E is justified as it is in line with its peer's average P/E of 12.7x within the selected peer in the building material segment.

Investment Highlights

Operational facilities expansion... The group intends to expand its operating facilities by constructing a new factory, namely the New Penang Factory (total built-up are of approximately 197.15k sqft), where it will include (i) 1 double-storey factory and office, and (ii) 1 single-storey warehouse and office.

...and housing new and existing production lines. BWYS will house (i) a new continuous PU foam sandwich panel production line, (ii) a new automated powder coating line for its industrial racking systems, (iii) the existing machinery and equipment for BWYS's industrial racking system manufacturing operations from the Penang 1572 Factory and (iv) the existing machinery and equipment for its roofing sheets and truss manufacturing operations from the Penang 1571 Factory. Besides, the group intends to purchase new machinery, such as roll-forming machines for its Banting factory which expected to increase its annual capacity from 10,332 tonnes to 13,532 tonnes and new equipment for its roof trusses and industrial racking system manufacturing.

Increasing capacity for its products. The group intends to expand its range of roofing products by venturing into the manufacture of PU foam sandwich panels by installing two integrated PU foam sandwich panel production line that will be manufactured at the Banting Factory and the New Penang Factory, with an estimated production capacity of 1,700 tonnes per year for each production line. The group plans to capture the demand from its existing and new customers who will mainly be resellers such as hardware wholesalers and retailers. This would also enable BWYS to address opportunities by leveraging resellers' network to gain more geographic reach for its products, which we expect to add meaningful top and bottom line for BWYS moving forward.

Geographical expansion into new foreign markets. From FY20 to FY23, BWYS Group Bhd's (BWYS) revenue from international market grew at CAGR of +72.1% from RM2.1m to RM10.7m. Moving forward, BWYS plans to collaborate with resellers from various regions including Southeast Asia (SEA), Middle East and South America in the upcoming years.

IPO Note – Not rated

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Non-Rated

Share price	RM0.22
Target price	RM0.35
Previous TP	-
Capital upside	59.0%
Dividend return	
Total return	59.0%

Company profile

BWYS is a growing Malaysian manufacturer and supplier of metal roofing sheets, trusses, industrial racking systems, welded pipes, and scaffoldings.

Stock information

Bursa Code	0313
Bloomberg ticker	BWYS MK
Listing market	ACE
Share issued (m)	1025
Market Cap (m)	225.5
Shariah compliant	YES

Major shareholders

	%
Kang Beng Hai	65.2

Earnings snapshot

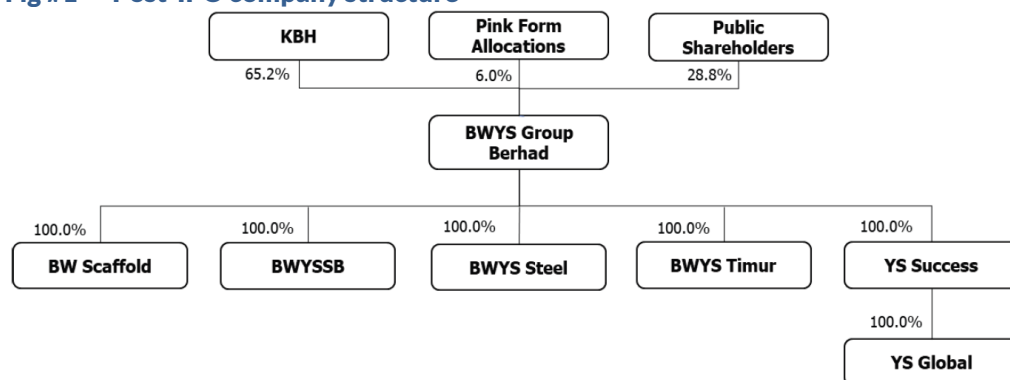
FYE (Dec)	FY23	FY24f	FY25f
PATMI (m)	17.6	24.9	28.1
EPS (sen)	1.72	2.43	2.74
P/E (x)	12.8	9.1	8.0



Company Background

Through its wholly-owned subsidiaries, BWYS Group Bhd is primarily involved in the manufacturing of sheet metal products, supply of scaffoldings, and trading of steel materials and steel-related products through building construction and warehousing and storage industries. Currently, BWYS operates 8 warehouses in Selangor, Johor, Kelantan Sabah, and Sarawak, with the main warehouse and manufacturing facility in Penang.

Fig #1 Post-IPO company structure



Source: BWYS Group Berhad

Fig #2 Corporate Milestones

Year	Milestones
2019	Acquired Penang 1571 Factory.
2017	Exported the first sales of industrial racking systems to Bangladesh, and continued exporting to other countries, including the Philippines, Australia, Saudi Arabia, the UAE, Sri Lanka, and Singapore.
2019	Acquired the Banting Factory and moved BW Scaffold's operations from Klang, Selangor, to this premises. Expanded to East Malaysia and established branch offices in Kuching and Bintulu, Sarawak.
2020	Secured the first export sales of industrial racking systems to a storage system provider in the USA. Started carrying out the manufacture of roofing sheets at the Banting Factory.
2021	Exported first scaffoldings to a trading company in Singapore. Established a branch office in Kota Kinabalu.

Source: BWYS Group Berhad

Fig #3 Utilisation of Proceeds

Use of proceeds	RM	%	Estimated time frame
Capital expenditure	41.4m	73.70%	Within 36 months
Repayment of bank borrowings	4.0m	7.10%	Within 12 months
Working capital	5.5m	9.75%	Within 12 months
Estimated listing expenses	5.5m	9.75%	Within 3 months
Total	56.4m	100%	

Source: BWYS Group Berhad



Business overview

Through its wholly-owned subsidiary, BWYS primarily manufactures and supplies a wide range of material roofing sheets, trusses, industrial racking systems, welded pipes, scaffoldings, and trading of steel materials and steel-related products through.

- 1. Manufacturing of sheet metal products (47.5% of FY23 revenue)** – BWYS produces a wide range of sheet metal products, including roofing sheets and trusses, such as Long-Run, Crimp Curved, Uroll Bond, Flashing, Capping, C-Purlins, C-Sections and Battens.
- 2. Supply and rental of scaffoldings (24.9% of FY23 revenue)** – The group provides CIDB – certified scaffoldings, available for sale and rental. This revenue segment generates recurring revenue with a minimum of rental period of 3 months.
- 3. Industrial racking systems (15.3% of FY23 revenue)** – BWYS provides an industrial racking system designed to enhance storage efficiency for warehousing and manufacturing purposes.
- 4. Welded pipes and steel materials (10.2% of FY3 revenue)** – The group manufactures and supplies welded pipes comprising conduit pipes, circular hollow pipes, square hollow sections, rectangular hollow sections and P-shaped hollow pipe.

Financials

In FY23, BWYS revenue surged to RM246.1m from RM130.9m in FY20, achieving a CAGR of 22.9%. The revenue increase is mainly due to an increase in both local and international sales, in tandem with strong demand for rental roofing sheets and trusses, industrial racking systems, and scaffoldings.

Topline and bottomline growth. Moving forward, we project topline to grow at 4%-13% to RM279.1m-311.3m for FY24f-26f, while projecting its core net profit to increase by 9.5%-41.0% to RM24.9m-30.8m supported by group's expansion plans into new foreign markets to achieve greater market reach, as well as the expansion of operation facilities to boost manufacturing capacity.

Fig #4 Financial Highlights

Financial Highlights

FYE Dec (RM m)	FY22	FY23	FY24f	FY25f	FY26f
Revenue	236.2	246.1	279.1	291.4	311.3
EBITDA	47.1	40.7	48.3	51.2	55.2
EBIT	38.5	30.3	37.6	40.1	43.8
PBT	28.7	24.3	34.4	38.9	42.6
PAT	18.7	17.6	24.9	28.1	30.8
PATMI – Core	18.7	17.6	24.9	28.1	30.8
PATMI – Reported	18.7	12.1	24.9	28.1	30.8
% change YoY – Core PATMI	-37.1%	-5.7%	41.0%	13.1%	9.5%
Core EPS (sen)	1.83	1.72	2.43	2.74	3.01
P/E (x)	12.1	12.8	9.1	8.0	7.3
DPS (sen)	1.1	0.3	0.1	0.1	0.2
Yield (%)	4.9%	1.3%	0.6%	0.6%	0.7%

Malacca Securities Research



Valuations

We ascribe a fair value of RM0.35 for BWYS. Our fair value of RM0.35 (upside of 59.0% against IPO price of RM0.22) is derived by pegging a P/E of 12.7x to the FY25f EPS of 2.74sen. We believe a P/E of 12.7x is justified as it is in line with its peer's average P/E of 12.7x within the selected peer in the building material segment.

Fig #5 Peers comparison

Company	Market Group	FYE	Price (RM)	Market Cap	P/E (x)	NP Margin
BWYS Group Berhad	ACE	Dec	0.22	225.5	12.8	7.2
Astino Bhd	MAIN	July	0.64	307.70	9.20	5.39
Eonmetall Group Bhd	MAIN	Dec	0.42	116.30	15.35	-0.69
Hiap Teck Venture Bhd	MAIN	July	0.49	845.00	8.32	5.79
Mayu Global Bhd	MAIN	June	0.35	153.70	11.04	9.30
Prestar Resources Bhd	MAIN	Dec	0.51	181.30	6.92	5.02
Plytec Holdings Bhd	ACE	Dec	0.32	192.00	29.14*	3.95
Ajiya Bhd	MAIN	Nov	1.48	436.60	NM	3.30
Leform Bhd	ACE	Dec	0.17	251.80	NM	-0.01
SKB Shutters Corp Bhd	MAIN	June	1.00	133.20	8.85	12.49
Avg ex-BWYS					12.69	

* Based on FY23 data

Source: Malacca Securities Research

Investment risks

Economic, social, political and regulatory risks. Changes in the economic, social and political landscape, which may give rise to unfavourable tariffs, embargos, etc.

Dependent on key senior management. Discontinuation of service of the key senior management may disrupt key decision making within BWYS's business operations.

Fluctuations in raw material prices. Any inability to pass on the price decrease of commodities and raw material prices may adversely affect financial performance.

Exposed to foreign exchange fluctuations. BWYS has client base which are transacted in USD and other currencies, and BWYS may be unable to pass on increased costs to its customers, therefore a weakening ringgit may affect BWYS's profit margins.



Friday, 05 Jul, 2024

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Stock recommendation guide

BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned



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