Chemlite Innovation Berhad (CLITE)

Plating Expert For Perfection

- **Chemlite Innovation Berhad is an engineering support services provider specializing in (i) metal plating and (ii) non-metal plating like anodizing and other surface finishing treatments, catering primarily to the semiconductor and the electrical & electronics (E&E) industries.**
- **We project 3-year earnings CAGR of 21.2%, with core PAT anticipated to reach RM10.4m-RM14.9m over the next three years. This growth is underpinned by (i) the commencement of a new operating facility by FY27, (ii) the onboarding of two new customers in the non-metal plating segment, and (iii) the group's wider service offerings through cleaning and packaging services.**
- **We assign a fair value of RM0.40 per share for CLITE, indicating a 60.0% upside from the IPO price of RM0.25. This valuation is based on a PE multiple of 16.0x pegged to FY27f EPS of 2.48 sen.**

Investment highlights

Continue to expand with new operating facility. The group plans to establish a new operating facility on a 3-acre industrial land parcel in Penang, featuring a built-up area of at least 100,000 sq ft. This facility will focus on anodising services with at least four fully automated anodising lines and expand metal plating capacity with four semi-automated lines. Land acquisition is targeted for 2Q25, with construction expected to be completed by 4Q26, positioning the group to capitalize on growth opportunities in the semiconductor and E&E industries. The new operating facility is expected to start commencing operation on 2Q27.

Cleanroom services. The group plans to expand its service offerings by introducing cleaning and packaging services in a cleanroom environment. A cleanroom minimizes contamination through controlled levels of pollutants, enhancing the quality and durability of treated intermediate metal products. These services, set to commence by 2Q25, aim to reduce defects, improve product yield rates, and attract new customers while offering value-added solutions to existing ones.

Enhancing efficiency via automation. The group plans to enhance its production capabilities by investing in masking and dispensing robotic arms to automate pre-production non-metal plating processes. This adoption of advanced automation technology will improve precision, increase throughput, and reduce cycle times for plating processes, enabling more efficient and reliable service delivery to customers.

Benefiting from Malaysia's semiconductor push. The government's initiative to position Malaysia as a global semiconductor hub, supported by its collaboration with Arm Holdings, is expected to drive demand for high-value semiconductor activities, including advanced packaging and front-end manufacturing. This expansion will increase the need for precision surface finishing services, benefiting companies like CLITE, which provides essential metal plating and anodising solutions.

Riding the China+1 and ESI wave. According to the IMR report, Malaysia's Engineering Support Industry (ESI), valued at RM10.2bn in 2023, is expected to grow at a CAGR of 11.4%, reaching RM17.4bn by 2028. The growth will be driven by technological advancements, government support and an established E&E cluster. Additionally, Malaysia stands to benefit from multinational companies shifting operations due to the ongoing US-China trade tensions, further boosting opportunities in the semiconductor and E&E industries.

IPO Note – Not rated

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Non-Rated

Share price	**RM0.25**
Target price	**RM0.40**
Previous TP	**-**
Capital upside	60.0%
Dividend return	-
Total return	60.0%

Company profile

Incorporated since 2007, Chemlite Innovation Berhad primarily focuses on metal plating and non-metal plating services, including other surface finishing treatments, catering to the semiconductor and E&E industries.

Stock information

Bursa Code	0348
Bloomberg ticker	CLITE MK
Listing market	ACE
Share issued (m)	600.0
Market Cap (m)	150.0
Shariah compliant	YES

Major shareholders %

Chong Yuen Fong	38.5
Heng Chee Khiang	31.5
Nil	-

Earnings snapshot

FYE (Dec)	FY24	FY25f	FY26f
PATMI (m)	8.4	10.4	11.0
EPS (sen)	1.4	1.7	1.8
P/E (x)	17.9	14.5	13.6

Timetable of IPO

Opening of application	5 March
Closing of application	12 March
Balloting of application	14 March
Allotment of the IPO shares	25 March
Listing on the ACE market	26 March

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Fig #1 Estimated market size and growth forecast of surface engineering market in Malaysia

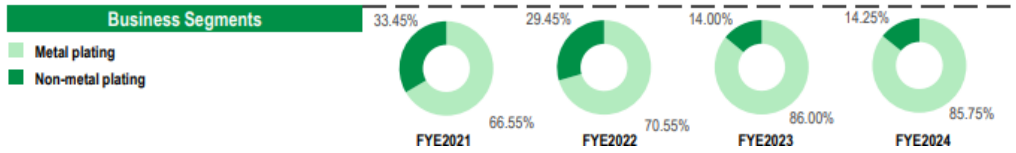
Year	Market Size (RM billion)	Growth Rate (%)
2021	7.62	-
2022	9.37	23.0
2023	10.15	8.3
2024[e]	12.39	22.1
2025[f]	13.45	8.5
2026[f]	14.65	8.9
2027[f]	15.95	8.9
2028[f]	17.43	9.3

Source: Protégé Associates, Chemlite Innovation Berhad (IMR Report)

Company background

Incorporated in 2007, Chemlite Innovation Berhad is an engineering support services provider specializing in surface finishing treatments for intermediate metal products, primarily serving the semiconductor and electrical & electronics (E&E) industries. Its core expertise lies in metal plating services, offering advanced multi-layer coatings of up to four layers using metals like gold, silver, palladium, and nickel. The group also provides non-metal plating services, including anodising and other treatments, on an ad-hoc basis. These services enhance the functionality, durability, and aesthetic appearance of metal products, optimising their qualities for diverse industrial applications.

Fig #2 Revenue contribution of each segment



Source: Chemlite Innovation Berhad

Fig #3 Post-IPO shareholding structure



Source: Chemlite Innovation Berhad

Fig #4 Corporate milestones

Year	Milestones
2007	• Incorporation of Chemlite Industries
2008	• Began operations focusing on surface finishing treatment services, specialising on functionality-focused metal plating on intermediate metal products • Secured the first purchase order for 2-layer metal plating services from Customer A
2009	• Assessed with ISO 9001:2008 and ISO 14001:2004 accreditations, which are under the scope of provision of metal surface finishing
2010	• Expanded services to include anodising for semiconductor and E&E

	industries
2012	• Acquired land in Penang Science Park with the intention to relocate and expand our Group's operational capacity
2014	• Secured the first purchase order for gold plating services from Customer B1 who focuses on testing and diagnosis solutions for the semiconductor and E&E industries
2015	• Expanded services to include 3-layer metal plating services (nickel, palladium, and gold plating)
2017	• Expanded services to include 4- layer metal plating services (nickel, silver, nickel, and gold plating)
2019	• Secured first purchase order for 3-layer metal plating services from the Philippines through Customer B2, a company within Customer B Group of Companies
2020	• Began construction of the Penang Science Park Facility to meet increasing demand
2023	• Completion of the construction of the 50,000 sq ft Penang Science Park Facility, housing 5 semi-automated metal plating lines and 1 fully automated anodising line • Obtained CCC for the Penang Science Park Facility on 25 July 2023 • Completed the relocation to the Penang Science Park Facility and commenced operations on 28 November 2023
2024	• Secured first purchase order for 2-layer metal plating services from customers based in Japan and Singapore respectively, both of whom are within the Customer B Group of Companies • Constructed an additional fully automated anodising line in the Penang Science Park Facility to capitalise on the growing demand for non-metal plating services from the semiconductor and E&E industries • Entered into a sale and purchase agreement with PDC on 26 November 2024 for the purchase of a parcel of industrial leasehold land at Penang Science Park North
2025	• Listing on ACE Market of Bursa Securities

Source: M+ Research, Chemlite Innovation Berhad

Fig #5 Utilisation of proceeds

Use of proceeds	RM'm	%	Estimated time frame
Expansion of Group's facility	7.8	26.0	Within 24 months
Set-up of cleanrooms	7.0	23.3	Within 6 months
Capital expenditure on machineries and equipment	1.0	3.3	Within 6 months
Establishment of research and development department	0.5	1.7	Within 6 months
Repayment of bank borrowings	5.5	18.3	Within 6 months
Working capital	4.2	14.0	Within 12 months
Estimated listing expenses	4.0	13.3	Within 1 month
Total	30.0	100.0	

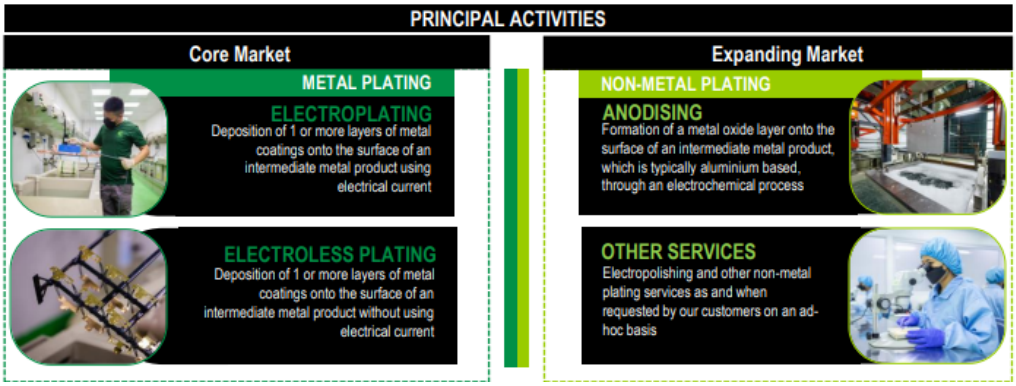
Source: Chemlite Innovation Berhad

Business overview

Metal plating (85.8% of FY24 revenue). The group specializes in metal plating services, a surface finishing process that involves depositing one or more layers of metal coatings, such as gold, silver, palladium, or nickel, onto intermediate metal products. Using both electroplating (with electrical current) and electroless plating (without electrical current) techniques, the group enhances product functionality by improving electrical conductivity, solderability, durability, and corrosion resistance while elevating aesthetic appeal. Its offerings include single-metal, alloy, and multi-layer plating (up to four layers).

Non-metal plating (14.3% of FY24 revenue). The group provides non-metal plating services, including anodizing, an electrochemical process that forms a metal oxide layer on aluminium-based products to enhance electrical resistance, durability, hardness, and corrosion resistance while offering customizable aesthetic finishes in terms of colour and thickness. Additionally, the group offers ancillary services such as electropolishing and chemical cleaning on an ad-hoc basis to meet specific customer requirements.

Fig #6 Principal business activities and services provided



Source: Chemlite Innovation Berhad

Financials

Revenue highlights. The group reported a 22.1% YoY growth in revenue, increasing from RM28.0m in FY23 to RM34.2m in FY24. The increase was driven by both segments, whereby:

(i) Metal plating segment recorded a rise of RM5.2m or 21.6%, attributed to a higher volume of purchase orders with greater value from Customer A.
(ii) Non-metal plating segment recorded a rise of RM0.9m or 23.9%, attributed to increase in number of purchase orders from its existing customers.

Earnings forecasts. Moving forward, we project a 3-year earnings CAGR of 21.2%, with core PATMI expected to reach RM10.4m, RM11.0m, and RM14.9m over the next three years, largely supported by (i) the commencement of a new operating facility by FY27, (ii) the onboarding of two new customers in the non-metal plating segment, and (iii) the group's wider service offerings through cleaning and packaging services.

Fig #7 Financial Highlights

FYE Dec (RM m)	FY22	FY23	FY24	FY25f	FY26f	FY27f
Revenue	22.1	28.0	34.2	41.7	45.8	61.8
EBITDA	5.4	11.2	11.6	14.5	16.1	21.6
EBIT	4.5	9.8	8.8	11.6	12.2	16.6
PBT	4.2	9.3	7.8	11.2	11.9	16.0
PAT	3.2	6.2	8.4	10.4	11.0	14.9
PATMI – Core	3.2	6.2	8.4	10.4	11.0	14.9
% change YoY – Core PATMI	-9%	95%	35%	24%	6%	35%
Core EPS (sen)	0.5	1.0	1.4	1.7	1.8	2.5
P/E (x)	47.2	24.2	17.9	14.5	13.6	10.1
DPS (sen)	0.8	-	-	-	-	-
Yield (%)	3%	0%	0%	0%	0%	0%
BVPS (RM/share)	0.0	0.0	0.0	0.1	0.1	0.1
P/B (x)	24.3	14.8	7.7	2.6	2.2	1.8
ROE (%)	60%	76%	57%	27%	17%	19%
Net Gearing (%)	1.4	1.1	0.6	CASH	CASH	CASH

M+ Research

Valuations

We assign a fair value of RM0.40 per share for Chemlite Innovation Berhad, representing a 60.0% upside from the IPO price of RM0.25. This valuation is based on a P/E ratio of 16.0x, pegged to FY27f EPS of 2.48 sen. We used FY27f EPS as the valuation anchor because the company's growth potential will only be fully realised in FYE27 upon the commencement of its new manufacturing facility, a significant increase from its current facility setup.

Meanwhile, we believed that the ascribed P/E of 16x is fair, even though the average 12-month forward P/E and historical P/E among its peers stood at 9.4-12.4x, as the company enjoys a superior double-digit ROE and NP margin as compared to its peers, which have a negative average ROE and a marginal NP margin. Nevertheless, it is important to note that surface finishing treatments such as plating and anodizing are not the major revenue contributors for its peers. This distinction underscores CLITE's niche position in the industry.

Fig #8 Peer comparison

Company	Market Group	FYE	Price (RM)	Market Cap (RM'm)	P/E (x)	Forward P/E (x)	ROE (%)	NP Margin (%)
Chemlite Innovation Berhad	**Ace**	**Dec**	**0.25**	**150.0**	***17.9**	****13.5**	***57.0**	***24.5**
Amlex Holdings Bhd	LEAP	Feb	0.25	67.0	N/A	N/A	(0.5)	0.9
Northeast Group Sdn Bhd	ACE	Dec	0.33	244.2	17.8	11.4	9.2	15.2
Notion VTEC Bhd	MAIN	Dec	0.68	354.9	7.0	7.4	12.1	8.8
Scope Industries Bhd	ACE	Dec	0.08	86.6	N/A	N/A	(21.5)	(23.2)
Avg ex-Chemlite Innovation Berhad				**188.2**	**12.4**	**9.4**	**(0.2)**	**0.4**

*Source: M+ Research (*FY24, **FY26f)*

Investment risks

Dependence on major customers. The group relies heavily on two major customers, Customer A and Customer B Group of Companies, which collectively contributed 76.3%, 73.6%, 87.5%, and 85.8% from FYE21 to FPE24. This dependency limits the group's ability to diversify its customer base and increases operational risks, especially as the absence of long-term contracts means these customers could switch to other service providers.

Dependence on major suppliers. The group relies on key suppliers, including LJV Chemicals Sdn Bhd, Supplier A, Zenith Solution Enterprise, and Netpoint Coating Sdn. Bhd. for gold chemicals and other critical materials. Collectively, these suppliers accounted for 76.2%, 74.5%, 78.2%, and 89.3% from FYE21 to FPE24. Any disruption in their supply or changes in pricing or quality could adversely affect the group's operations and financial performance.

Absence of long-term contracts. The group operates on an ad-hoc purchase order basis. The lack of long-term contracts means customers are not obligated to continue procuring services, posing a risk to revenue stability. Any loss of customers or reduction in purchase orders could adversely affect the group's financial performance if not offset by securing new or additional orders.

Fluctuations in raw material prices. The group relies heavily on metal chemicals like gold, palladium and silver, which collectively accounted for 67.2% to 77.8% of total purchases from FYE2021 to FPE2024. Prices for these materials are subject to global economic conditions, supply chain disruptions, and foreign exchange rates, which can lead to higher production costs. While the group negotiates pricing with customers quarterly, there is no guarantee that cost increases can always be passed on.

Dependence on Executive Directors and key senior management. The group relies on the expertise and industry relationships of its Executive Directors and key senior management for business operations and strategy. Any loss of these individuals could disrupt operations and impact growth prospects.

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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