MSB Global Group Berhad (MSB)

The MSB Formula - From Autoparts to Lubricants and Beyond

- **MSB Global Group Berhad is a Malaysia-based company specialising in the marketing, trading, and distribution of (i) aftermarket automotive parts and components, (ii) automotive lubricants and fluids, and also (iii) other products including outdoor telecommunication cabinets and related electrical items.**
- **We project 3-year earnings CAGR of 10.6%, with core PATMI anticipated to reach RM9.9m-RM11.2m over the next three years. This growth is underpinned by (i) the continuous expansion in Malaysia's aftermarket automotive parts industry, (ii) the group's strengthening social media presence especially TikTok, and also (iii) the venture into in-house branded EV chargers**
- **We assign a fair value of RM0.26 per share for MSB, indicating a 30.0% upside from the IPO price of RM0.20. This valuation is based on a PE multiple of 14.5x pegged to mid-FY26f EPS of 1.78 sen.**

Investment highlights

Expansion of a new factory and warehouse. The group plans to develop a new factory and warehouse on Ulu Tiram Land, featuring a built-up area of approximately 79,905 sq ft. The facility will house an in-house production line for automotive lubricants and fluids, equipped with blenders and automated fill-and-finish systems, alongside a dedicated storage warehouse. RM4.97m (18.7% of IPO proceeds) will be allocated to fund the reconstruction. The new factory is expected to commence operations in 4Q27.

Enhancing production capacity with new machinery. The group plans to invest in new machinery and equipment to support the commissioning of its blending and fill-and-finish production lines. RM6.01 (22.6% of IPO proceeds) will be allocated for these upgrades, including raw material purchases for the blending process. Once operational in 4Q27, the new production lines will have a maximum output capacity of 8.55m liters per year, strengthening the group's manufacturing capabilities.

Expansion into EV-related products. The group plans to enter the electric vehicle (EV) market by introducing its own in-house branded EV charger, which aligns with Malaysia's transition towards EV adoption and aims to diversify revenue streams of the group. The EV charger is targeted for launch in 2Q25, with RM0.84m (3.1% of IPO proceeds) allocated for its development and commercialization.

Long-term exclusive distribution rights for GSP branded products. MSB Global has strengthened its position in the aftermarket automotive parts sector by securing a new 10-year exclusive distribution agreement with China-listed GSP Nanjing, effective 22Feb24. This agreement supersedes the previous 10-year arrangement signed in 20Dec21, which reaffirms MSB Global's role as the sole distributor of GSP-branded aftermarket automotive parts and components in Malaysia.

Strengthening digital presence to drive sales. The group is expanding its digital footprint to enhance brand visibility and customer engagement. Its FK FUKUOKA brand actively leverages social media platforms such as Facebook, Instagram, rednote, and TikTok to connect with online audiences. FK FUKUOKA automotive lubricants and fluids are sold exclusively via TikTok under *FK FUKUOKA PETROLEUM*, while ZR.ZURIC products are available on Lazada and Shopee. This digital strategy has provided the group direct access to a growing base of online consumers.

IPO Note – Not rated

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Non-Rated

Share price	**RM0.20**
Target price	**RM0.26**
Previous TP	-
Capital upside	30.0%
Dividend return	-
Total return	30.0%

Company profile

Incorporated since 2000, MSB Global Group Berhad primarily specializes in the marketing, trading and distribution of aftermarket automotive parts and components, automotive lubricants and fluids, and also other products.

Stock information

Bursa Code	0350
Bloomberg ticker	MSB MK
Listing market	ACE
Share issued (m)	610.0
Market Cap (m)	122.0
Shariah compliant	YES
MITI allocation	YES

Major shareholders

	%
Datuk Ow Kee Foo	40.4
Lee Li Lian	7.1
Ow Chen Lun	6.1

Earnings snapshot

FYE (Dec)	FY23	FY24f	FY25f
PATMI (m)	8.3	9.9	10.5
EPS (sen)	1.4	1.6	1.7
P/E (x)	14.8	12.4	11.6

Timetable of IPO

Opening of application	21 March
Closing of application	4 April
Balloting of application	8 April
Allotment of the IPO shares	14 April
Listing on the ACE market	15 April

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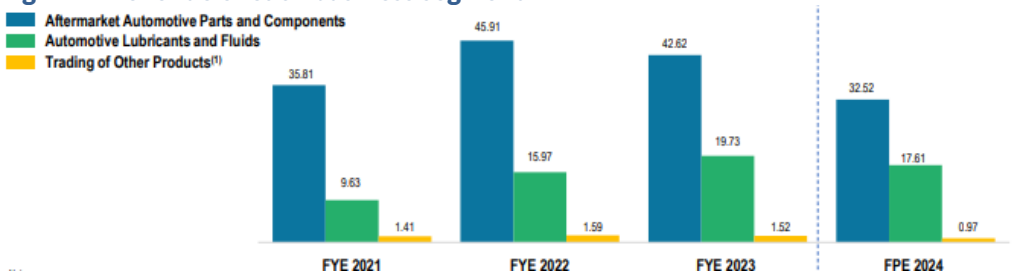
Growing automotive aftermarket in Malaysia. According to the IMR report, Malaysia's wholesale and retail sales of automotive parts and components grew at a 2-year CAGR of 38.8%, from RM28.3bn in 2021 to RM54.4bn in 2023, driven by a resilient economy and an expanding vehicle population. With the continuing growth of motor vehicle population in the country, the market is expected to continue its upward trajectory, with annual growth projected around 9.0% from 2023 to 2029, reaching RM91.1bn by 2029.

Rising adoption of EVs in Malaysia. According to JPJ's latest data, Malaysia registered 21.8k units of EV in 2024, marking a 63.8% YoY increase from 13.3k units in 2023. EVs also accounted for 2.5% of total vehicle registrations in Malaysia, with the government having an ambitious target of 20% by 2030. While MSB Global remains a key player in the ICE aftermarket segment, its venture into EV chargers enables it to adapt to the evolving automotive landscape as the country transitions towards electrification.

Company background

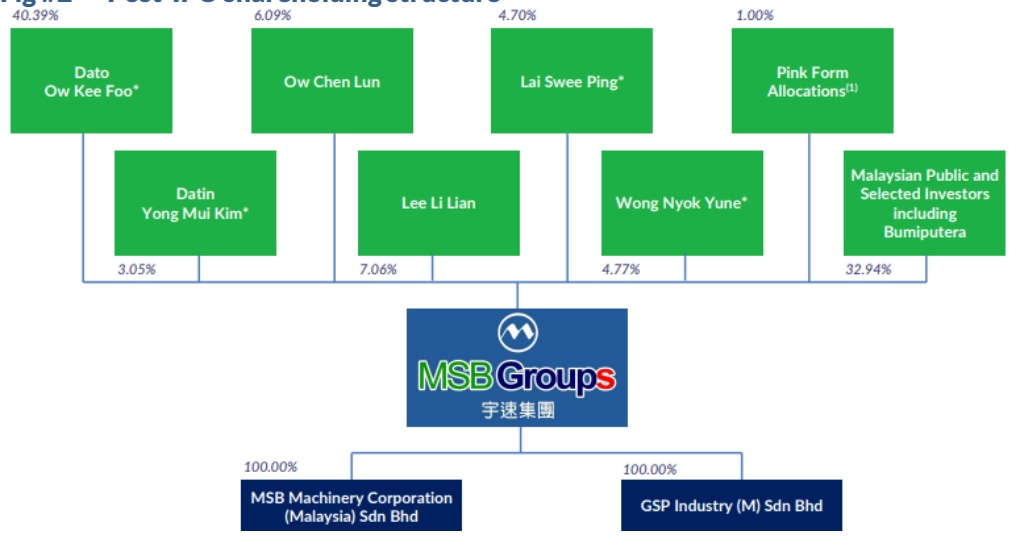
Incorporated in 2000, MSB Global Group Berhad is a Malaysia-based company specialising in the marketing, trading and distribution of aftermarket automotive parts, components, lubricants and fluids for the passenger and commercial vehicle. The group's product portfolio includes exclusive GSP-branded offerings, in-house brands like WHLI, AFA, LOTUS, RAINEATER, FK FUKUOKA, and ZR.ZURIC, and other third-party brands. Additionally, the group trades outdoor telecommunication cabinets and related electrical items, catering to niche telecommunication needs. Its operations are supported by a diverse customer base, including wholesalers, retailers, service centres and individual consumers.

Fig #1 Revenue of each business segment



Source: MSB Global Group Berhad

Fig #2 Post-IPO shareholding structure



Source: MSB Global Group Berhad

Fig #3 Corporate milestones

Year	Milestones
2000	• Incorporation of MSB Global
2002	• Started business relationship with GSP Automotive Group. GSP Industry was incorporated and started operating its business in Johor Bahru. • MSB Machinery opened a sales branch in Kuala Lumpur, and Kuantan, Pahang to further expand the group's presence in the country.
2008	• Ventured into the business of trading of outdoor telecommunication cabinets and related electrical items.
2010	• MSB Machinery registered the 'FK FUKUOKA' trademark in Malaysia to establish its in-house brand of automotive lubricants and fluids.
2011	• Registered the 'AFA' trademark for the timing belt
2013	• Registered the 'RAINEATER' trademark for wiper belt.
2014	• Registered the 'ZR.ZURIC' trademark for automotive lubricants and fluids predominantly targeting the motor vehicle service centres and e-commerce segments.
2021	• GSP Industry formally entered into a distribution agreement with GSP Nanjing, which allows the group to distribute GSP branded aftermarket automotive parts and components on an exclusive basis in Malaysia for 10 years starting from the date of the agreement 20th December 2021 ("First Distribution Agreement"). • ZR.ZURIC branded automotive lubricants and fluids were made available for sale at online marketplaces, namely Lazada and Shopee.
2022	• Commenced business operations at new corporate head office in Johor Bahru • Registered the 'WHLI' trademark for car batteries.
2023	• MSB Machinery entered into a collaboration agreement with GoAuto Group Sdn Bhd ("GoAuto"), a company involved in the sale and distribution of automotive vehicles on 8th December 2023 to act as the panel installer of EVs charging stations and/or charging points in West Malaysia to the purchases of the EVs sold by GoAuto.
2024	• The First Distribution Agreement has been superseded by a second distribution agreement entered into by GSP Industry with GSP Nanjing, which allowed the group to distribute GSP branded aftermarket automotive parts and components on an exclusive basis in Malaysia for 10 years starting from the date of the agreement on 22nd February 2024.

Source: M+ Research, MSB Global Group Berhad

Fig #4 Utilisation of proceeds

Use of proceeds	RM'm	%	Estimated time frame
Reconstruction of a new factory cum warehouse	5.0	18.7	Within 30 months
Purchase of new machinery and equipment	6.0	22.6	Within 30 months
New in-house branded EV charger	0.8	3.1	Within 24 months
Repayment of bank borrowings	5.5	20.7	Within 12 months
General working capital requirements	4.8	18.0	Within 36 months
Estimated listing expenses	4.5	16.9	Within 1 month
Total	26.6	100.0	

Source: MSB Global Group Berhad

Business overview

Aftermarket automotive parts and components (66.7% of FY23 revenue). The group focuses on the marketing, trading and distribution of automotive parts and components for the passenger and commercial vehicle aftermarket in Malaysia. This includes products under the exclusive GSP brand, the group's in-house brands (WHLI, AFA,

LOTUS, and RAINEATER), and other third-party brands. These parts, sourced locally and internationally, are used to replace worn or damaged components or enhance vehicle performance and comfort. Key offerings include driveshafts, suspension parts, brake rotors, and steering racks.

Automotive lubricants and fluids (30.9% of FY23 revenue). The group markets, trades and distributes automotive lubricants and fluids under its in-house brands, FK FUKUOKA and ZR.ZURIC, for passenger and commercial vehicles in Malaysia. Key offerings include engine oils, automatic transmission fluids, gear oils, brake fluids, coolants, and car care products such as engine flushes and performance enhancers, designed to enhance performance, reduce friction, and protect components. Target customers include wholesalers, retailers, service centres and individual consumers.

Trading of other products (2.4% of FY23 revenue). The group trades outdoor telecommunication cabinets and related electrical items for a sole customer in Singapore. These durable metal enclosures protect telecommunications equipment from dust, heat, moisture, and rain, catering to niche demands in the telecommunication industry.

Fig #5 Principal business activities and services provided

Key Business Segments	Aftermarket Automotive Parts and Components	Automotive Lubricants and Fluids
Principal Activities	i. Marketing, trading and distribution of GSP branded products ii. Marketing, trading and distribution of in-house branded products, and trading and distribution of other third-party branded products	Marketing, trading and distribution of in-house branded products
Geographical Markets	Malaysia	Malaysia
Target Customers	• Wholesalers • Retailers	• Wholesalers • Retailers • Motor Vehicle Service Centres • Individual Consumers
Brands & Types of Products	• GSP branded automotive parts and components • Non-GSP branded automotive parts and components	In-house branded automotive lubricants and fluids

Source: MSB Global Group Berhad

Financials

Revenue highlights. The group reported flat revenue growth from RM63.5m in FY22 to RM63.9m in FY23. This marginal increase was primarily driven by the automotive lubricants and fluids segment, which recorded a rise of RM3.8m or 23.5%, driven by increased marketing activities and higher ASP. However, the increase was partially offset by a decline in revenue contribution from the aftermarket automotive parts and components segment, which decreased from RM45.9m in FY22 to RM42.6m in FY23. The trading of other products segment also recorded a decline, decreasing from RM1.6m in FY22 to RM1.5m in FY23, mainly due to lower demand for outdoor telecommunication cabinets.

Earnings forecasts. Moving forward, we project a 3-year earnings CAGR of 10.6%, with core PATMI expected to reach RM9.9m, RM10.5m, and RM11.2m over the next three years, largely supported by (i) the continuous expansion in Malaysia's aftermarket automotive parts industry, (ii) the group's strengthening social media presence especially TikTok, and also (iii) the venture into in-house branded EV chargers.

Fig #6 Financial Highlights

FYE Dec (RM m)	FY22	FY23	FY24f	FY25f	FY26f
Revenue	63.5	63.9	68.1	73.1	78.5
Adjusted EBITDA	13.7	12.1	13.9	14.7	15.7
Adjusted EBIT	13.1	11.4	13.2	13.9	14.8
Adjusted PBT	12.6	11.1	13.0	13.8	14.7
Adjusted PAT	9.4	8.3	9.9	10.5	11.2
PATMI – Core	9.4	8.3	9.9	10.5	11.2
PATMI – Reported	18.9	8.3	9.9	10.5	11.2
% change YoY – Core PATMI	4%	-13%	19%	6%	6%
Core EPS (sen)	1.5	1.4	1.6	1.7	1.8
P/E (x)	12.9	14.8	12.4	11.6	10.9
DPS (sen)	3.2	1.8	-	-	-
Yield (%)	16%	9%	0%	0%	0%
BVPS (RM/share)	0.1	0.1	0.1	0.1	0.2
P/B (x)	3.2	3.5	1.7	1.5	1.3
ROE (%)	25%	23%	19%	14%	13%
Net Gearing (%)	0.2	0.1	CASH	CASH	CASH

M+ Research

Valuations

We assign a fair value of RM0.26 per share for MSB, representing a 30.0% upside from its IPO price of RM0.20. This valuation is based on a P/E ratio of 14.5x, pegged to the mid-FY26F EPS of 1.78 sen. While the 12-month forward P/E and historical average P/E among its peers stand at 9.0x-11.0x, we believe the ascribed P/E is justified, given MSB's strong fundamentals, supported by a solid ROE and net profit margin of 23.0% and 12.9%, respectively, outperforming the peer average of 12.4% and 9.7%, respectively.

Fig #7 Peer comparison

Company	Market Group	FYE	Price (RM)	Market Cap (RM'm)	P/E (x)	Forward P/E (x)	ROE (%)	NP Margin (%)
MSB Global Group Berhad	**Ace**	**Dec**	**0.20**	**122.0**	***14.8**	****11.6**	***23.0**	***12.9**
Pecca Group Bhd	MAIN	Jun	1.54	1,124.0	19.6	16.4	27.4	22.7
APM Automotive Holdings Bhd	MAIN	Dec	3.02	590.4	6.9	N/A	6.0	4.1
Feytech Holdings Bhd	MAIN	Dec	0.48	404.7	6.4	5.7	25.6	21.6
New Hoong Fatt Holdings Bhd	MAIN	Dec	1.94	320.8	7.3	N/A	7.8	15.6
MCE Holdings Bhd	MAIN	Jul	1.59	216.1	10.8	N/A	12.5	10.2
Betamek Bhd	ACE	Mac	0.40	180.0	9.0	N/A	14.3	9.0
EP Manufacturing Bhd	MAIN	Dec	0.44	126.0	5.2	N/A	5.7	3.2
Solid Automotive Bhd	MAIN	Jan	0.16	80.5	2.1	N/A	17.8	11.3
Kumpulan Jetson BHD	MAIN	Mac	0.20	83.4	10.3	N/A	6.0	3.9
Sapura Industrial Bhd	MAIN	Jan	0.82	59.7	7.9	N/A	6.8	2.5
KHPT Holdings Bhd	ACE	Dec	0.12	46.3	13.9	N/A	6.0	2.5
Avg ex-MSB Global Group Berhad				**293.8**	**9.0**	**11.0**	**12.4**	**9.7**

*Source: M+ Research (*FY23, **FY25f)*

Investment risks

Dependence on one of the major suppliers. The group relies heavily on GSP Nanjing for the supply of GSP branded aftermarket automotive parts and components, which accounted for the range between 57.7%-74.5% of total purchases over the past three years. While the group holds exclusive distributorship rights in Malaysia until February 2034, there is no guarantee of renewal on similar terms upon expiry.

Need to keep up with industry advancements. The group operates in a rapidly evolving automotive and petrochemical industry, where continuous advancements in materials and technology drive improvements in automotive parts, components, lubricants, and fluids. The group must track market trends, participate in trade fairs, and gather customer feedback in order to stay competitive.

Exposure to raw material price fluctuations. The group's automotive lubricants segment is affected by fluctuations in global oil prices, as base oil, a key ingredient, is derived from crude oil. Global oil prices are influenced by factors including economic conditions, geopolitical tensions, and currency fluctuations. A significant rise in base oil prices could increase production and inventory costs.

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.

Disclaimer

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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