# CUCKOO International (MAL) Berhad (CKI)

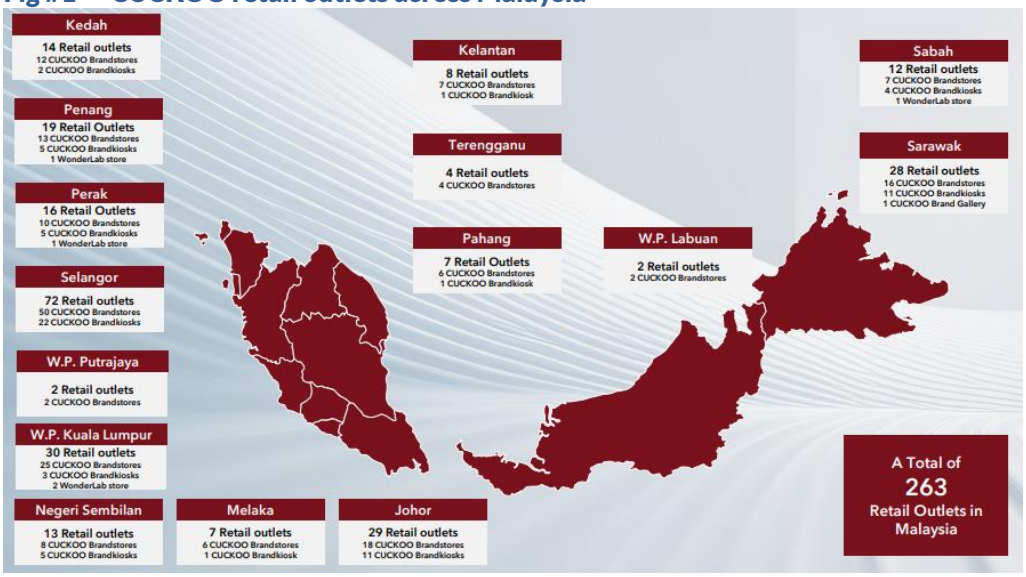
## The "Koo"-lest Brand In Town

- **CUCKOO International (MAL) Berhad is a Malaysia-based provider specializing in the trading and rental of home appliances, mattresses and furniture, trading of beauty care products and also provision of home care services. The group operates through four key segments, namely (i) CUCKOO-branded, (ii) CUCKOO Co-Created, (iii) WonderLab & WonderDewi, and (iv) WonderKlean, and is the sole and exclusive distributor of CUCKOO-branded products in Malaysia, Singapore and Brunei.**
- **We project a 3-year earnings CAGR of 17.3%, with core PAT anticipated to reach RM129.2m-RM163.1m over the next three years. This growth is underpinned by (i) the group's stronger product portfolio expansion moving forward, (ii) the opening of 10 new Brandshops, and also (iii) further expansion into CUCKOO Singapore.**
- **We assign a fair value of RM1.53 per share for CKI, indicating an 18.6% upside from the IPO price of RM1.29. This valuation is based on a PE multiple of 14.0x pegged to mid-FY26f EPS of 10.96 sen.**

## Investment highlights

**Strong brand presence across the country.** The group built a strong brand presence in Malaysia over the past 10 years that has allowed it to promote a positive image that is dedicated to fostering healthy lifestyles and build brand loyalty among its existing customers. As at the LPD, the group has a wide geographical presence in Malaysia with 263 CUCKOO and WonderLab Retail Outlets located in shopping malls, department stores, supermarkets and hypermarkets, managed by more than 7,000 personnel in the CUCKOO Sales Team and WonderLab Sales Team collectively.

**Fig #1 CUCKOO retail outlets across Malaysia**




*Source: Cuckoo International Berhad*

**Omni-channel distribution for wider geographical coverage.** The group has established an extensive omni-channel distribution network to enhance market reach and customer accessibility. Since 2023, the company has expanded from offline sales teams and retail outlets to include e-Brandshops, third-party e-commerce platforms, home appliance retailers, and also department stores. This strategy allows customers to browse and purchase products conveniently, extending market coverage to areas without physical outlets and strengthening brand visibility.

**IPO Note – Not rated**

**Loui Low**
louilow@msec.com.my
**(603) 2201 2100**

## Non-Rated

| | |
|---|---|
| **Share price** | **RM1.29** |
| **Target price** | **RM1.53** |
| **Previous TP** | **-** |
| Capital upside | 18.6% |
| Dividend return | 2.0% |
| Total return | 20.6% |

### Company profile

Incorporated since 2014, CUCKOO International (MAL) Berhad primarily involved in the trading and rental of home appliances, mattresses and furniture, trading of beauty care products and also provision of home care services.

### Stock information

| | |
|---|---|
| Bursa Code | 5336 |
| Bloomberg ticker | CKI MK |
| Listing market | MAIN |
| Share issued (m) | 1432.8 |
| Market Cap (m) | 1848.3 |
| Shariah compliant | YES |
| MITI allocation | YES |

| Major shareholders | % |
|---|---|
| CKH | 52.0 |
| Koo Bon Hak | 11.0 |
| Hoe Kian Choon | 10.0 |

### Earnings snapshot

| FYE (Dec) | FY23 | FY24f | FY25f |
|---|---|---|---|
| PATMI (m) | 101.0 | 129.2 | 150.8 |
| EPS (sen) | 7.0 | 9.0 | 10.5 |
| P/E (x) | 18.3 | 14.3 | 12.3 |

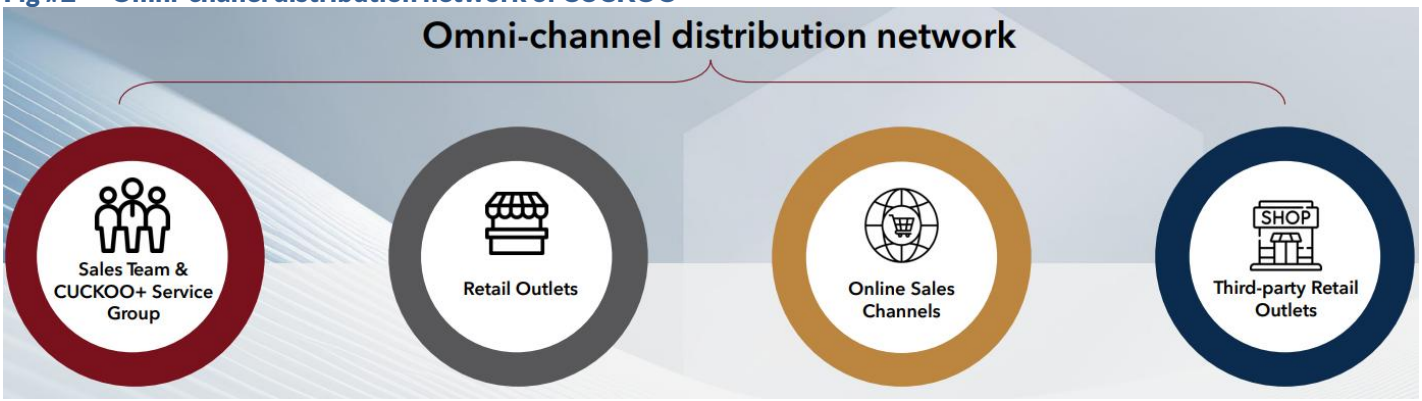
### Timetable of IPO

| | |
|---|---|
| Opening of application | 26 March |
| Closing of application | 10 April |
| Balloting of application | 17 April |
| Allotment of the IPO shares | 28 April |
| Listing on the MAIN market | 30 April |

JOIN OUR OFFICIAL TELEGRAM
TO GET THE LATEST MARKET UPDATES

M+Online Equipping Traders For The Win
M+Global Winning The World

**Fig #2 Omni-chanel distribution network of CUCKOO**




*Source: Cuckoo International (MAL) Berhad*

**Decent market share.** According to Frost & Sullivan, the group holds a 19.6% market share based on revenue for FY24E and a 23.1% market share based on active orders as of 31 December 2024 in Malaysia's rental industry for home appliances and household goods. This strong market position underscores the company's ability to attract and retain a large customer base, reinforcing its competitive edge in the industry.

**Strong and incentivized sales and service network.** The group's sales and service network consist of 6.6k CUCKOO Sales Team members, 1.3k WonderLab Sales Team members and 3.2k CUCKOO+ Service Group personnel across Malaysia and Singapore. To drive performance, a sales-driven compensation plan incentivizes sales teams based on direct sales and team performance, while the CUCKOO+ Service Group earns commissions through cross-selling, trade-ins, contract upgrades, and positive customer service reviews.

**Product portfolio expansion for a larger Malaysian market.** In order to capture a larger market share in Malaysia's growing home appliance and household goods rental industry, the group plans to broaden its product and service offerings through the expansion its rental business. As of the LPD, the group offers 54 CUCKOO-branded SKUs, 10 CUCKOO Co-Created SKUs, 34 SKUs under WonderLab and WonderDewi, and 8 WonderKlean service packages. RM104.7m (56.7% of IPO proceeds) will be allocated as capital to fund product purchases for the group's expansion of rental business.

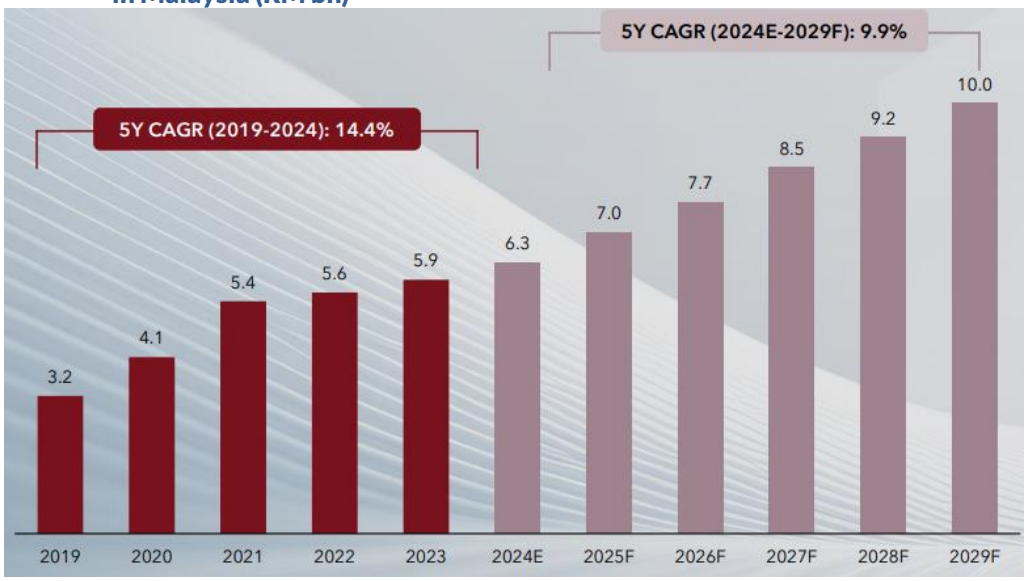
**New Brandshops for greater brand engagement.** The company plans to allocate RM5.0m (2.7% of IPO proceeds) to launch 10 "cash and carry" CUCKOO Brandshops over the next two years, expanding its omni-channel distribution network. These Brandshops will enable immediate product purchases and collections, a first for the company. With dedicated space for product displays, demonstrations, and repair services, the Brandshops aim to enhance customer experience and drive greater brand engagement.

**Stronger presence in Singapore.** The group plans to expand CUCKOO Singapore by allocating RM10.0m (5.4% of IPO proceeds) to support sales distribution network expansion, marketing campaigns, and product diversification. This investment will reinforce the group's regional presence and growth strategy.

**Capitalizing on the growing rental industry for home appliances.** According to the IMR report, the rental market for home appliances and household goods in Malaysia has an estimated RM6.3bn in revenue and 4.5m active orders in 2024E. From 2019 to 2024E, the market grew at a CAGR of 14.4%, outpacing the outright purchase segment which grew at a CAGR of less than 10% during the same period. The industry is

projected to continue expanding at a CAGR of 9.9% from 2024E to 2029, driven by demand for newer rental products like mattresses and air conditioners, as well as attractive bundled service packages.

**Fig #3 Market size of rental industry for home appliances and household goods in Malaysia (RM bn)**

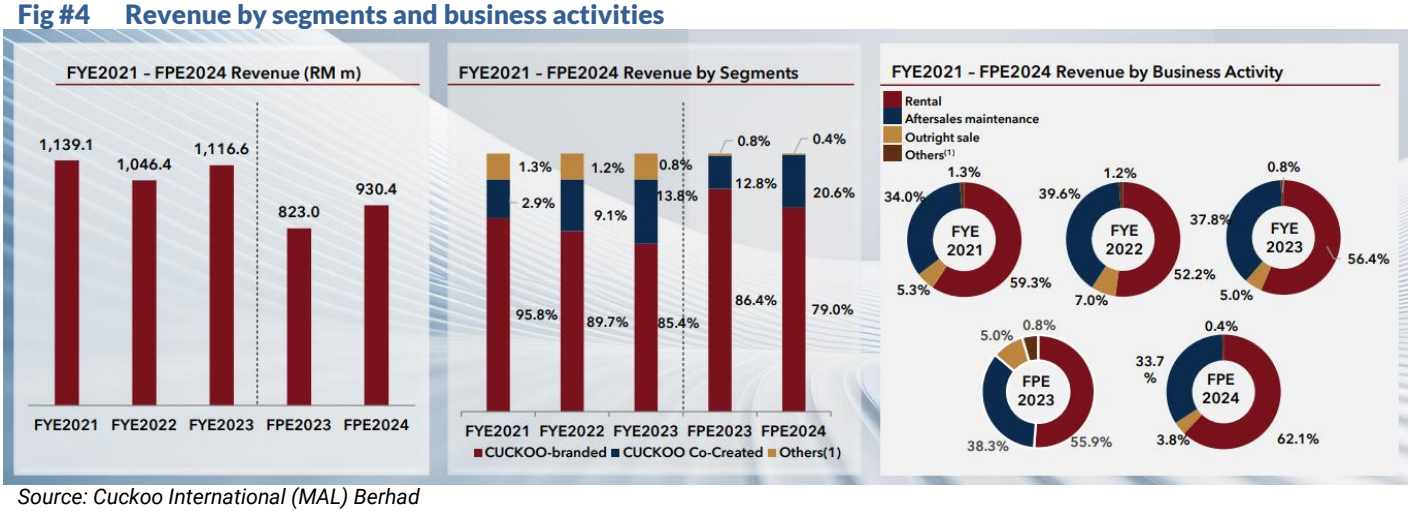



*Source: Frost & Sullivan, Cuckoo International (MAL) Berhad*

## Company background

Incorporated in 2014, CUCKOO International (MAL) Berhad is a Malaysia-based provider specializing in home appliances, household goods, beauty and wellness products, and home care services. The group operates through four key segments: (i) CUCKOO-branded, (ii) CUCKOO Co-Created, (iii) WonderLab & WonderDewi, and (iv) WonderKlean. Its product portfolio includes water purifiers, air purifiers, kitchen appliances, mattresses, and skincare, offered through flexible rental plans and outright purchases. Supported by an omni-channel distribution network comprising retail outlets, direct sales teams, e-commerce platforms, and third-party retailers, the group serves a broad customer base while fostering accessibility and brand loyalty in the wellness and home solutions market.

**Fig #4 Revenue by segments and business activities**



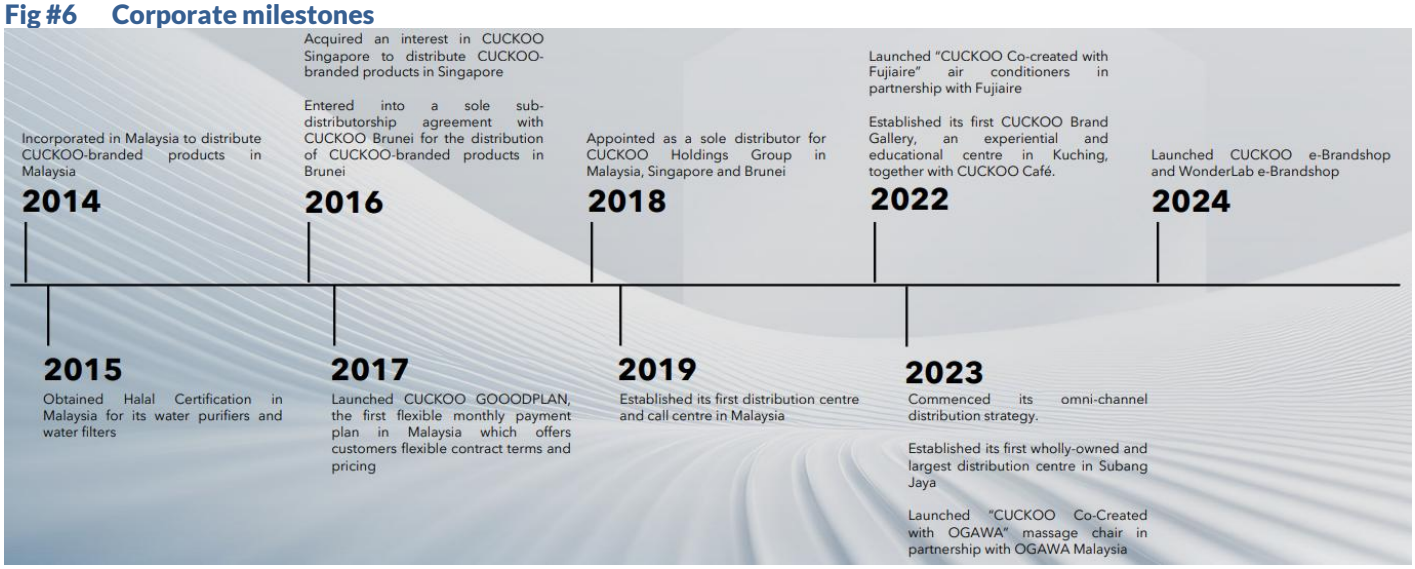

*Source: Cuckoo International (MAL) Berhad*

**Fig #5 Post-IPO shareholding structure**




*Source: Cuckoo International (MAL) Berhad*

**Fig #6 Corporate milestones**




*Source: Cuckoo International (MAL) Berhad*

**Fig #7 Utilisation of proceeds**

| Use of proceeds | RM'm | % | Estimated time frame |
|---|---|---|---|
| Capital to fund product purchases for expansion of rental business | 104.7 | 56.7 | Within 12 months |
| Repayment of bank borrowings | 40.0 | 21.6 | Within 9 months |
| Opening of 'Brandshops' | 5.0 | 2.7 | Within 24 months |
| Upgrading of IT systems | 5.6 | 3.0 | Within 24 months |
| Expansion of CUCKOO Singapore | 10.0 | 5.4 | Within 24 months |
| Estimated listing expenses | 19.5 | 10.6 | Immediate |
| Total | 184.8 | 100.0 | |

*Source: Cuckoo International (MAL) Berhad*

## Business overview

**CUCKOO-branded products (85.4% of FYE23).** CUCKOO offers a range of home appliances under its CUCKOO-branded segment:

(i) Water purifiers come in mechanical, semi-digital, and fully digital models.
(ii) Air purifiers feature a four-stage filtration system for improved air quality.
(iii) Kitchen appliances include multi-cookers, rice cookers, and induction hobs.
(iv) The outdoor water filter is designed for main pipeline installation to ensure cleaner water supply.
(v) Home appliances include washer and dryer machines and treadmills, catering to household convenience and wellness.

**CUCKOO Co-Created (13.8% of FYE23).** CUCKOO collaborates with industry partners to develop and manufacture CUCKOO Co-Created products:

(i) Mattresses are produced under a distribution agreement with LSK for Malaysia and Singapore, including CUCKOO and "CUCKOO Co-Created with Napure"

models.

(ii) Air conditioners are developed with Fujiaire under distribution and service agreements, including aftersales servicing.

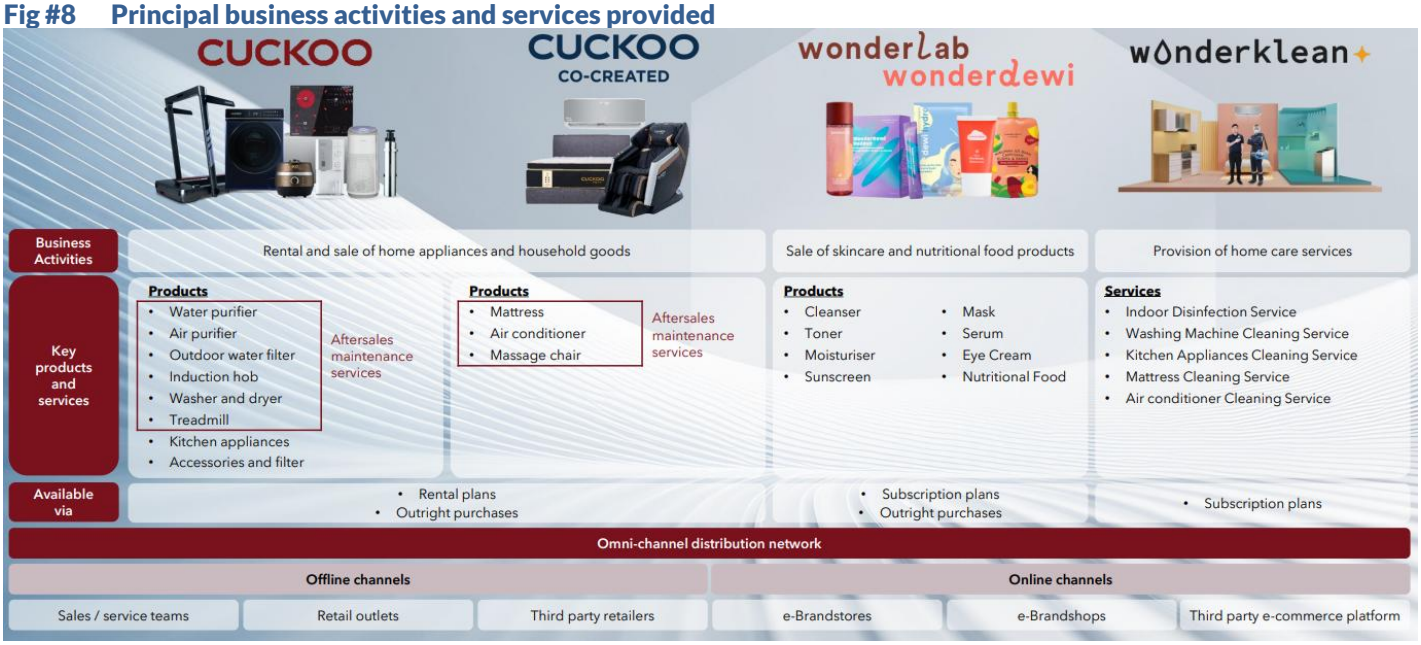
(iii) Massage chairs are co-created with OGAWA Malaysia, offering comfort and relaxation solutions in the Malaysian market.

**Others (0.8% of FYE23):** Others comprise of

**(i) WonderLab and WonderDewi:** CUCKOO offers beauty and wellness solutions through its WonderLab and WonderDewi brands. WonderLab provides skincare products for various age groups and includes a facial lifting and massage device from OGAWA Malaysia, bundled with complementary skincare items; WonderDewi focuses on skincare and nutritional food products designed to enhance skin health, targeting the youth segment.

**(ii) WonderKlean:** CUCKOO's WonderKlean segment offers professional home care services, including indoor disinfection and cleaning for mattresses, kitchen appliances, washing machines, and air conditioners.

**Fig #8 Principal business activities and services provided**




*Source: Cuckoo International (MAL) Berhad*

## Financials

**Revenue highlights.** The group reported a RM70.2m or 6.7% YoY growth in revenue, increasing from RM1046.4m in FY22 to RM1116.6m in FY23. This increase was driven by both CUCKOO-branded and CUCKOO Co-Created segments.

(i) CUCKOO-branded segment grew by RM15.1m or 1.6% YoY from RM939.0m in FYE22 to RM954.1m in FYE23, primarily due to an increase in revenue from finance lease sales following more marketing and promotional activities done by the group. Nevertheless, the CUCKOO-branded segment was also partially offset by decreases in revenue from rental income and outright sales.

(ii) CUCKOO Co-Created segment rose by RM58.5m or 61.4% YoY from RM95.4m in FYE22 to RM153.9m in FYE23, as both finance lease sales and maintenance services saw an increase in their revenue.

**Earnings forecasts.** Moving forward, we project a 3-year earnings CAGR of 17.3%, with core PATMI expected to reach RM129.2m, RM150.8m, and RM163.1m over the next

three years, largely supported by (i) the group's stronger product portfolio expansion moving forward, (ii) the opening of 10 new Brandshops, and also (iii) further expansion into CUCKOO Singapore.

**Fig #9 Financial Highlights**

| FYE Dec (RM m) | FY22 | FY23 | FY24f | FY25f | FY26f |
|---|---|---|---|---|---|
| Revenue | 1,046.4 | 1,116.6 | 1,240.5 | 1,299.3 | 1,362.7 |
| Adjusted EBITDA | 293.6 | 234.3 | 244.7 | 263.7 | 269.6 |
| Adjusted EBIT | 228.3 | 174.1 | 204.4 | 238.3 | 243.9 |
| Adjusted PBT | 189.5 | 138.6 | 170.0 | 198.4 | 214.7 |
| Adjusted PAT | 151.1 | 100.6 | 129.2 | 150.8 | 163.1 |
| PATMI – Core | 151.5 | 101.0 | 129.2 | 150.8 | 163.1 |
| PATMI – Reported | 1.6 | 86.2 | 129.2 | 150.8 | 163.1 |
| % change YoY – Core PATMI | -19% | -33% | 28% | 17% | 8% |
| Core EPS (sen) | 10.6 | 7.0 | 9.0 | 10.5 | 11.4 |
| P/E (x) | 12.2 | 18.3 | 14.3 | 12.3 | 11.3 |
| DPS (sen) | - | 5.1 | 1.8 | 2.1 | 2.3 |
| Yield (%) | 0% | 4% | 1% | 2% | 2% |
| BVPS (RM/share) | 0.5 | 0.6 | 0.8 | 0.8 | 0.9 |
| P/B (x) | 2.6 | 2.3 | 1.7 | 1.5 | 1.4 |
| ROE (%) | 24% | 13% | 14% | 13% | 13% |
| Net Gearing (%) | CASH | CASH | CASH | CASH | CASH |

M+ Research

## Valuations

**We assign a fair value of RM1.53 per share for CKI, representing an 18.6% upside from the IPO price of RM1.29.** This valuation is based on a P/E ratio of 14.0x, pegged to mid-FY26f EPS of 10.96 sen. We believe the ascribed PE is fair as the peer average P/E and forward P/E ratio stood at 12.0-20.7x. On top of that, CUCKOO showed an impressive ROE and NP margin of 13.0% and 9.0%, outperforming its peers' average of 0.5% and 0.1% respectively.

**Fig #10 Peer comparison**

| Company | Market Group | FYE | Price (RM) | Market Cap (RM'm) | P/E (x) | Forward P/E (x) | ROE (%) | NP Margin (%) |
|---|---|---|---|---|---|---|---|---|
| **CUCKOO International (MAL) Berhad** | **Main** | **Dec** | **1.29** | **1,848.3** | ***18.3** | ****12.3** | ***13.0** | ***9.0** |
| Aeon Co M Bhd | MAIN | Dec | 1.39 | 1,951.6 | 15.24 | 12.0 | 6.7 | 3.0 |
| Parkson Holdings Bhd | MAIN | Dec | 0.18 | 206.8 | N/A | N/A | (7.5) | (3.7) |
| Senheng New Retail Bhd | MAIN | Dec | 0.21 | 315.0 | 26.25 | N/A | 2.2 | 1.0 |
| **Avg ex-CUCKOO International (MAL) Berhad** | | | | **824.5** | **20.7** | **12.0** | **0.5** | **0.1** |

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

## Investment risks

**Significant dependence on CUCKOO Holdings Group.** The group relies on CUCKOO Holdings Group for product supply and brand licensing under the CKH Distribution Agreement. Any termination or disruption of this agreement could significantly impact operations, as CUCKOO-branded products accounted for over 70% of total purchases and nearly 99% of revenue in recent years.

**Potential supply chain disruptions.** The group depends on CUCKOO Holdings Group

and business partners like OGAWA Malaysia, Fujiaire, and LSK for product supply. Any disruption in production, shipping delays, or failure to meet quality standards could impact operations. Finding alternative suppliers, especially for CUCKOO-branded products, may be difficult, potentially affecting product availability and business performance.

**High capital requirements and cash flow risks.** The company relies on upfront capital to fund product purchases and sales commissions for rental plans. Cash inflows depend on timely customer payments, and any delays or defaults could impact liquidity. Previously, a 24-month repayment period to CUCKOO Holdings Group eased capital constraints, but from July 2024, payments must be made within 90 days, potentially leading to negative cash flows if internal funds are insufficient.

**Risk of customer payment defaults.** Over 80% of customers subscribe to rental plans, contributing more than 50% of total revenue in recent years. Late or defaulted payments could lead to impairment losses and impact cash flow. While repossessed products may be repurposed for demonstrations or temporary loans, the company may still struggle to recover costs, affecting profitability.

**Risk of omni-channel network expansion**. Expansion efforts may not proportionally increase revenue, and maintaining relationships with retail partners and e-commerce platforms is crucial. Additionally, overlapping sales channels could also lead to market cannibalization, affecting overall business performance.

## Disclaimer

Research analyst(s) of MSSB whom produced this report hereby certifies that the views expressed in this report accurately reflect his/her personal opinions about all of the subject corporation(s) and securities in this report. He/She does not carry out, whether for himself/herself or on behalf of MSSB or any other persons did not receive and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. As of the report date, the analyst whom prepared this report does not have any interest in the following securities covered in this report, unless otherwise stated.

| 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 |