ASM System Group Berhad (ASM)

Automation Solutions Provider In The F&B Segment

- **Through its wholly-owned subsidiary, the Group provides automation machinery solutions where it designs, develops, fabricates, installs, tests and commissions the machinery for customers.**
- **Moving forward, we project a 3-year earnings CAGR of 1.5%, with core PAT expected to reach RM7.0m/RM7.3m/RM7.4m over the next three years; underpinned by enhanced D&D activities and robust working capital from the utilisation of proceeds.**
- **We ascribe a fair value of RM0.21 for ASM. Our fair value is derived by pegging a forward P/E of 15.0x to the mid-FY26f EPS of 1.38 sen, implying a 23.5% upside from its IPO price of RM0.17, we believe the discount P/E to its peers is justified given ASM's smaller market capitalization.**

Investment Highlights

End-to-end F&B automation solutions provider. While ASM garnered a market share of only ~1% in the automation machinery solutions industry, we believe that its capability to offer an up-to-downstream automation line for F&B manufacturers; comprising (i) Design & Development (D&D), (ii) Fabrication, (iii) Installation, (iv) Testing, as well as (v) Commissioning, positions ASM well ahead of its competitors. This is reflected in its notable average customer base of 220 as per Financial Years Under Review, including prominent clients like Adabi Consumer Industries Sdn Bhd and Malayan Flour Mills.

ASM's crown jewels… We believe ASM's D&D capabilities have long been hidden gems that F&B manufacturers have yet to recognise. Notably, while few of its competitors only supply machinery, ASM is able to customise its machinery solutions to cater to a wide range of manufacturing needs and industry applications globally, comprising the colour, shape, texture, length, weight, thickness, and taste of F&B products during the production process — from raw materials to food packaging. Besides that, it is worth noting that its D&D segment is also capable of handling currency note sorting and packaging, as well as applications in the poultry industry; reflecting its versatility in meeting customer needs across various industries.

…to be intensified. These capabilities enable ASM to have the flexibility to meet different customer demands while enabling clients to adjust machinery sizes as needed. Given this flexibility, clients are able to utilise more of their manufacturing space, leading to better factory space utilisation and enabling better economies of scale — a win-win situation. Aligned with government initiatives to shift Malaysia towards a digital economy, ASM intends to enhance its IoT solutions and robotics technology through its in-house engineering and development with approximately ~RM2.0m will be allocated to further enhance its D&D solutions.

Sturdy growth ahead. According to IMR, demand for snack products in Malaysia as reflected in its retail sales value, rose from RM5.1bn in 2019 to RM6.0bn; growing at a CAGR of 4.0%. While this growth appears relatively flat, there is a continuous need for better automation machinery in the F&B industry, as broadly speaking, the F&B manufacturing sector has always been highly competitive, leading to price competition often at the expense of margins. Hence, the ongoing need for the F&B industry to reduce costs and achieve economies of scale has always been a key growth angle for companies like ASM. We believe ASM is well-positioned to ride on this sturdy demand, with the automation industry is projected by IMR to grow at a CAGR of 22.8% from RM2.0bn in 2024 to RM3.7bn in 2027.

IPO Note – Non-rated

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Non-Rated

Share price	**RM0.17**
Target price	**RM0.21**
Previous TP	-
Capital upside	23.5%
Dividend return	-
Total return	23.5%

Company profile

The Group principally involved in providing automation machinery solutions – Front of Line (FOL) and End of Line (EOL) mainly for F&B manufacturer

Stock information

Bursa Code	0362
Bloomberg ticker	ASM MK
Listing market	ACE
Share issued (m)	534.8
Market Cap (m)	90.9
Shariah compliant	YES

Major shareholders	**%**
Chan Kock Heng	50.9

Earnings snapshot

FYE (Dec)	FY24	FY25f	FY26f
PATMI (m)	7.1	7.0	7.3
EPS (sen)	1.33	1.31	1.36
P/E (x)	12.8	13.0	12.5

Timetable of IPO

Opening of application	29 May
Closing of application	19 Jun
Balloting of application	23 Jun
Allotment of the IPO shares	30 Jun
Listing on the ACE market	2 Jul

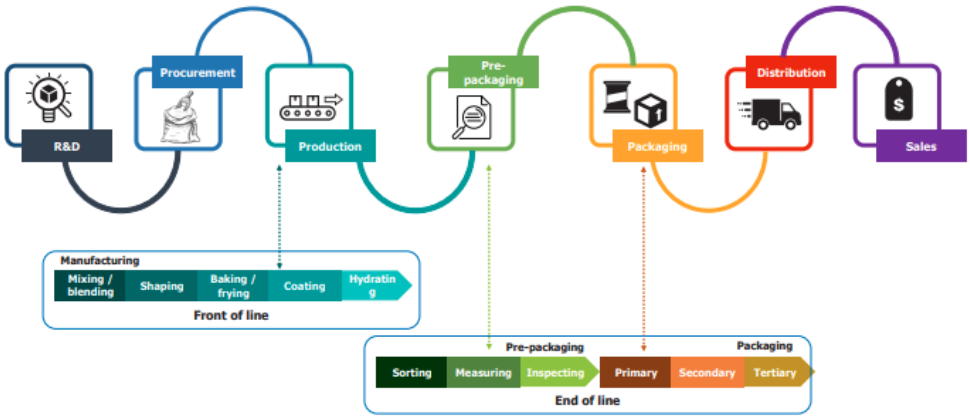
Company Background

Through its wholly-owned subsidiary, the Group provides automation machinery solutions where it designs, develops, fabricates, installs, tests and commissions the machinery for customers. These automation machinery solutions comprise FOL processing solutions and EOL packaging solutions.

In addition to its main segments, the Group also provides complementary solutions in the form of technical support to its existing and new customers. These complementary solutions comprise modification and upgrading services, maintenance services and supply of spare parts and components.

i. **Automation machinery solutions (93.4% of FY24 revenue).** As the Group's customers are primarily F&B manufacturing companies, the typical process that its FOL processing solutions and EOL packaging solutions operate in a F&B manufacturing ecosystem is as per below:

Fig #2 Illustration of ASM's automation machinery solutions



Source: ASM Automation Group Berhad

ii. **Complementary solutions (6.6% of FY24 revenue).** The Group provides technical support to its existing or new customers as per requests.

Key management team

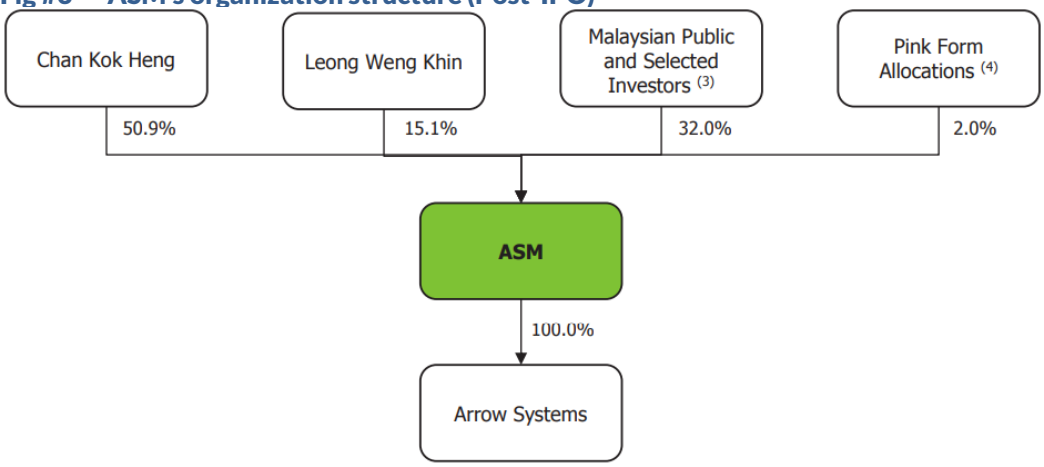
Chan Kok Heng (Managing Director) – Over 37 years in automation machinery. Drives group strategy and product development; instrumental in business growth.

Leong Weng Khin (Executive Director) – Over 35 years in automation. Provides technical leadership and supports engineering and project delivery.

Kamalam A/P Kurup Krishnan (Executive Director) – Over 26 years in business development and marketing. Leads customer relationship management and export market expansion.

Lim See Tow (Chief Financial Officer) – Over 26 years in finance. Manages the Group's financial operations, reporting, and compliance.

Fig #3 ASM's organization structure (Post-IPO)



Source: ASM Automation Group Berhad

Fig #4 SWOT Analysis

Strength	Weakness
• ASM has been operating for more than 30 years, with proven D&D capabilities across FOL processing and EOL packaging solutions. • Provides end-to-end solutions design and fabrication to installation, testing, and after-sales support, enhancing customer stickiness.	• As its revenue is based on Purchase-Order model, which closely tied to customer's CapEx cycles, this would beget variability in revenue and limited earnings visibility. • As most of its revenue were generated from F&B sector, it leaves ASM exposed to cyclical demand within a single sector.
Opportunity	**Threat**
• Rising labour costs and demand for production efficiency, especially in F&B, support long-term demand for automated processing and packaging solutions. • Initial success in poultry and currency sorting would translate potential to expand into varies sector.	• Exposure to FX movements due to both international customers and overseas suppliers, which can affect profitability. • Highly competitive as global OEMs and regional players may offer lower prices or newer techonologies.

Source: M+ Research

Fig #5 Use of proceeds

Use of proceeds	RM'm	%	Estimated time frame
Acquistion of land and construction of a new factory	11.4	52.2%	Within 42 months
Purchase of mahcines, equipment and componenents for assembly of demonsration machineries	2.3	10.5%	Within 42 months
D&D activities	2.0	9.2%	Within 12 months
Working capital	1.9	8.8%	Within 12 months
Estimated listing expenses	4.2	19.3%	Within 1 months
Total	21.8		

Source: ASM Automation Group Berhad

Financials

Revenue highlights. The Group's revenue increased by RM3.31m (9.2%) YoY to RM39.13m in FYE 2024, driven by a RM2.81m (8.3%) increase in automation machinery solutions revenue. The growth was supported by a higher average selling price of RM0.40m per unit (+33.3%), despite a decline in units delivered to 97 (−18.5%). Complementary solutions revenue rose RM0.50m (23.9%) to RM2.59m, underpinned by a favourable product mix that lifted average order value by 35.6%. Gross profit grew RM3.09m (31.8%) YoY to RM12.82m, with gross margin expanding to 32.7% from 27.2% in FYE 2023. The margin improvement was attributed to higher-value automation projects and effective raw material utilisation, which offset lower sales volume.

Balance sheet. ASM's total liabilities declined by RM6.2m to RM15.6m as of FY24 (FY23: RM21.8m), driven by a RM7.5m reduction in contract liabilities following revenue recognition from completed machinery deliveries, and a RM2.5m cut in bank borrowings as the group pared down short-term trade financing. The decline however was partially offset by higher accruals of RM1.0m (FY23: RM0.6m), which reflects its agent fees, sales commissions, and a post-FY24 RM4.0m dividend declaration. Overall, ASM maintained a healthy net cash position.

Cash flow. ASM generated RM4.9m in operating cash flow in FY24, supported by strong collections of RM38.1m, largely offset by RM33.2m in payments, which included supplier payments (RM24.7m), staff and director remuneration (RM6.0m), tax (RM1.1m), as well as sales commissions (RM1.4m). Investment activity remained minimal, with RM0.1m outflow mainly for IT and vehicle purchases. Financing front, ASM recorded a net outflow of RM2.7m, largely due to repayments of RM14.5m in borrowings and leases, offset by RM11.8m in new short-term trade financing drawdowns to support working capital.

Earnings forecasts. Moving forward, we project a 3-year earnings CAGR of 1.5%, with core PAT expected to reach RM7.0m/RM7.3m/RM7.4m over the next three years. While we foresee a slower growth rate in the upcoming financial years, we still anticipate organic growth, underpinned by enhanced D&D activities and improved working capital, supported by the utilisation of proceeds ahead of major growth. This is in anticipation of significant CapEx to be undertaken once proceeds are received in 3–4 years' time.

Fig #6 Financial Highlights

FYE Mar (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Revenue	35.8	39.1	39.9	41.8	43.9
EBITDA	6.1	9.5	9.5	10.0	10.4
EBIT	5.5	8.9	8.9	9.3	9.4
PBT	5.6	9.1	9.2	9.6	9.8
PAT	3.9	7.1	7.0	7.3	7.4
PATMI – Core	3.9	7.1	7.0	7.3	7.4
PATMI – Reported	3.9	7.1	7.0	7.3	7.4
% change YoY – Core PATMI	16%	81%	-1%	4%	2%
Core EPS (sen)	0.73	1.33	1.31	1.36	1.39
P/E (x)	23.2	12.8	13.0	12.5	12.2
EV/EBITDA (x)	13.5	8.7	8.7	8.3	7.9
DPS (sen)	0.7	0.7	-	-	-
Yield (%)	4%	4%	0%	0%	0%
BVPS (RM/share)	0.1	0.1	0.1	0.1	0.1
P/B (x)	3.3	3.0	1.6	1.4	1.3
ROE (%)	14%	25%	16%	12%	11%
Net Gearing (%)	0.0	CASH	CASH	CASH	CASH

M+ Research

Valuations

We ascribe a fair value of RM0.21 for ASM. Our fair value is derived by pegging a forward P/E of 15.0x to the mid-FY26f EPS of 1.38 sen, implying a 23.5% upside from its IPO price of RM0.17. While the assigned P/E of 15.0x reflects a ~25% discount to its closest peer, EPB Group Berhad's trailing P/E of 20x, we believe the discount is justified given ASM's smaller market capitalisation, coupled with its single-digit top line growth.

Investment risks

Project execution and timing risk. ASM's business model is driven by customised automation solutions with project-based revenue recognition. Delays in component delivery, design changes, or installation schedules may lead to revenue deferral, margin compression, or cost overruns that impact earnings delivery.

Supply chain and component sourcing risk. The Group's operations depend on the timely procurement of high-specification components and materials. Any supply chain disruptions, including shortages or price volatility, may compromise project fulfilment timelines and erode profit margins.

Manpower and technical talent dependency risk. ASM's solutions require skilled engineers and technical personnel for design, assembly, and integration. Difficulty in retaining or attracting talent, especially during peak project phases, may hinder execution capabilities and delay client delivery schedules.

Geopolitical and export regulation risk. Given ASM's exposure to cross-border sales, particularly in Asian markets, changes in trade regulations, export controls, or geopolitical tensions may restrict market access, delay shipments, or trigger compliance-related costs.

ASM's ESG Initiatives

Environmental Initiatives

Sustainable Material Usage: Prioritises durable raw materials, namely stainless steel and iron—in its fabrication activities to enhance product longevity and reduce replacement frequency. This aligns with ASM's focus on sustainable design and lifecycle efficiency of its automation machinery.

Energy Efficiency Measures: Actively improves energy performance through the installation of LED lighting and use of natural sunlight in production areas. Long-term plans include transitioning to solar power and expanding the use of electric forklifts, reinforcing its commitment to operational decarbonisation.

Social Initiatives

Workplace Safety & Health: Upholds strict compliance with the Occupational Safety and Health Act 1994, reinforced by comprehensive Noise and Chemical Health Risk Assessments. A trained emergency response team, led by a certified safety coordinator, oversees safety standards across all facilities. Employees are provided with PPE, hazard training, and updated safety protocols, contributing to a zero-incident workplace record.

Community Engagement: Supports local communities through CSR initiatives such as blood donation drives with public hospitals. Future engagement plans include outreach

activities to orphanages and other social development programs aimed at uplifting underprivileged groups.

Governance Initiatives

Regulatory Compliance: ASM maintains strict adherence to Malaysian laws and regulatory standards, with ethical conduct embedded across operations. Governance practices are aligned with Section 6.5.16 of the Prospectus to ensure full legal compliance throughout the organisation.

MCCG Alignment: Adopts key practices under the Malaysian Code on Corporate Governance (MCCG), including 20 practices under Principle A (Board Leadership and Effectiveness) and 8 practices under Principle B (Audit and Risk Management). Post-listing, ASM will incorporate additional MCCG practices under all three pillars—Board Effectiveness, Risk Oversight, and Corporate Reporting—to further strengthen board independence, integrity, and stakeholder engagement.

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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