SBS Nexus Berhad (SBS)

IPO Note – Not rated

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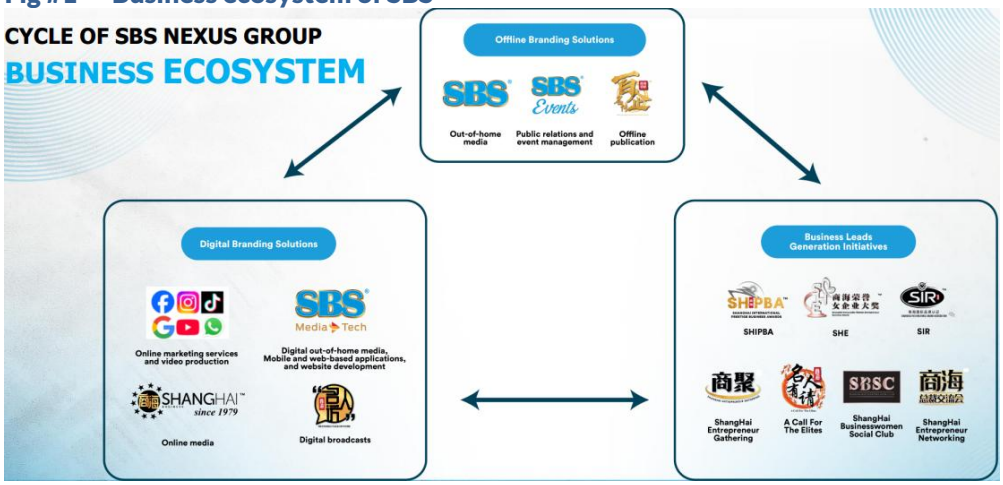
Scaling Brands Successfully

- **SBS Nexus Berhad is a Malaysia-based branding and marketing solutions provider offering (i) offline branding solutions, (ii) digital branding solutions and (iii) business awards and networking events. The group's multi-channel ecosystem spans out-of-home media, PR and events, publications, online marketing, digital broadcasts, video production, digital-out-of-home and online media, as well as mobile and web application development, serving entrepreneurs, SMEs and corporates across various stages of the business lifecycle.**
- **We project 3-year earnings CAGR of 19.6%, with core PATMI expected to reach RM8.8m-RM13.0m over the next three years. This growth is underpinned by (i) recurring income from sustained marketing spend by existing customers, (ii) new customer acquisition following business expansion and relocation to a new HQ, and (iii) deeper penetration into the Malay-speaking SME segment.**
- **We assign a fair value of RM0.34 per share for SBS, indicating a 36.0% upside from the IPO price of RM0.25. This valuation is based on a PE multiple of 15.0x pegged to FY26f EPS of 2.28 sen.**

Investment highlights

One-stop branding and marketing ecosystem. SBS operates an integrated branding and marketing ecosystem, spanning across offline branding, digital branding and business lead-generation initiatives. Its broad service offering enables cross-selling across different channels, allowing SBS to deliver end-to-end branding solutions tailored to businesses at different stages of their growth.

Fig #1 Business ecosystem of SBS



Source: SBS Nexus Berhad

Established *ShangHai* brand equity with strong SME recognition. SBS's long-standing *ShangHai* house brand is well-recognised within Malaysia's Mandarin-speaking SME community. This 46-years brand continues to enhance customer trust and creates spillover demand for SBS's wider branding and marketing solutions.

Expansion into the Malay-speaking SME market. The group is targeting the Malay-speaking SME segment through the launch of MyUsahawanMedia, supported by 18 dedicated headcount expansion and targeted marketing initiatives. This strategic expansion is expected to broaden SBS's customer base and address growing demand for brand development, digital visibility and trusted networking platforms within the

Not Rated

Share price	**RM0.25**
Target price	**RM0.34**
Previous TP	
Capital upside	36.0%
Dividend return	-
Total return	36.0%

Company profile

Started since 2003, SBS Nexus Berhad is a Malaysia-based branding and marketing solutions provider offering offline branding solutions, digital branding solutions and business awards and networking events.

Stock information

Bursa Code	0386
Bloomberg ticker	SBS MK
Listing market	ACE
Share issued (m)	490.0
Market Cap (m)	122.5
Shariah compliant	YES

Major shareholders	%
Wong Chun Mun	30.0
Piah Yee Ling	12.0
Lai Kian Chuan	10.0

Earnings snapshot

FYE (Dec)	FY24	FY25f	FY26f
PATMI (m)	7.6	8.8	11.2
EPS (sen)	1.6	1.8	2.3
P/E (x)	16.1	13.9	11.0

Timetable of IPO

Opening of application	23 December
Closing of application	7 January
Balloting of application	9 January
Allotment of the IPO shares	16 January
Listing on the ACE market	20 January

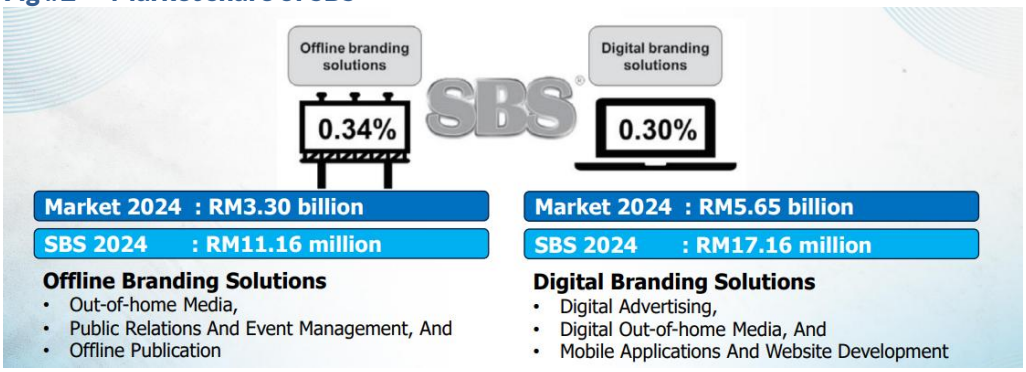
Malay-SME community segment.

Strong revenue growth supported by customers' recurring spend and expanding customer base. SBS benefits from its customers' recurring marketing spend as customers typically allocate budgets annually to maintain their brand visibility, particularly in competitive markets where peers' advertising activities drive continued engagement. Meanwhile, the group continues to attract new customers across its service offerings as well. As a result, SBS recorded a two-year revenue CAGR of 60.6%, growing from RM11.6m in FY22 to RM29.9m in FY24.

New headquarter expansion to support business scaling. The group plans to relocate to a larger headquarter with expanded event, meeting, training and production facilities. This will enhance in-house capabilities for large-scale events and digital content creation, with RM7.1m (23.2% of IPO proceeds) allocated for it.

Market share poised for growth. According to the IMR report, even though SBS has a sub-1% market share in both Malaysia's offline and digital branding markets, the group is well-positioned to capture growth from an expanding branding and marketing industry driven by digitalisation, rising SME formation and sustained demand for brand visibility, providing a long runway for SBS's market share expansion.

Fig #2 Market share of SBS



Source: SBS Nexus Berhad

Company background

SBS Nexus Berhad is a branding and marketing solutions provider offering an integrated suite of offline and digital services designed to enhance business visibility for entrepreneurs, SMEs and corporates. The group operates through a multi-channel ecosystem comprising both offline branding solutions and digital branding solutions.

Its offline segment covers the design, printing, distribution and installation of billboards, banners and buntings, alongside advertising space management, event planning and execution, and the publication of customer features in the ShangHai Book of Fame.

The digital segment spans digital content creation and advertising management, broadcast production and embedded ad placements, bespoke video projects, digital billboard operations and indoor media airtime via Entity T, supported by one-off development and recurring maintenance for mobile apps and corporate websites.

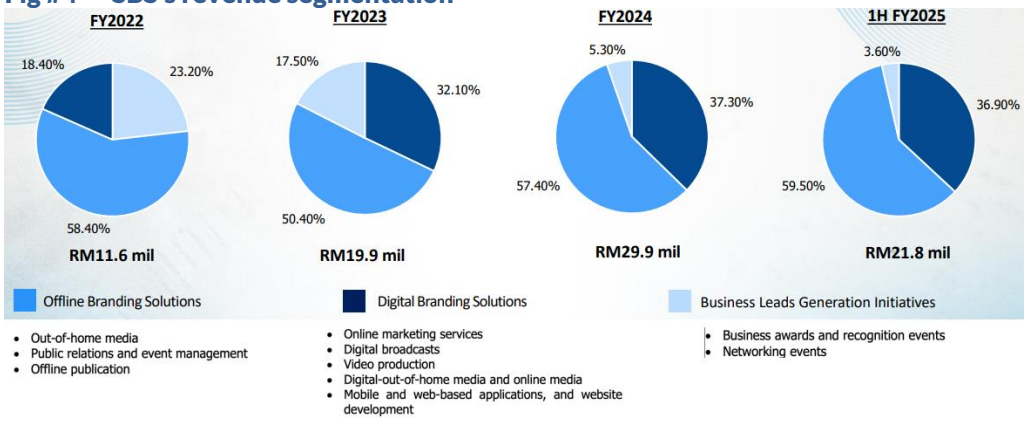
Meanwhile, the group also organises business awards, recognition programmes and networking events, which serve as revenue-generating platforms and key channels for business lead generation while offering participants enhanced branding exposure.

Fig #3 SWOT analysis of SBS

Strength	Weakness
• Integrated branding and marketing services • Established *ShangHai* brand equity • Recurring income from customers	• Decline in profit margins due to inability to hire talent which led to more outsourcing work • Low market share
Opportunity	**Threat**
• Expansion into Malay-speaking SME segment • Capacity expansion following the setting up of new HQ and new IT and networking infrastructure • IPO proceeds allocated for branding and marketing activities	• Continuous inability to hire talent which lead to margin erosion • Intense competition within the branding and marketing industry • Reputational, branding and social media risk

Source: M+ Research

Fig #4 SBS's revenue segmentation



Source: SBS Nexus Berhad

Substantial Shareholders and Key Management

1. Wong Chun Mun – Promoter, Substantial Shareholder and CEO

Mr Wong was appointed to the Board on 10 September 2024. He is responsible for setting and driving the Group's strategic direction and growth. After completing his SPM, he began his career in sales and promotion before gaining manufacturing experience with Sony Display Device (Singapore) Pte Ltd. He subsequently held various sales roles across consumer goods, used cars, and industrial machinery sectors before founding CMW Industrial Supplies in 2000, later operated as a partnership. In 2003, he joined Speed Business Services as Sales Director, overseeing sales and marketing. In 2009, he co-founded SBS Prints Sdn Bhd, now known as SBS Digital Holdings, and has since served as Director and Chief Executive Officer, leading the expansion of the group's printing and flyer distribution business.

2. Piah Yee Ling – Promoter, Substantial Shareholder and Executive Director

Ms Piah was appointed to the Board on 10 September 2024. She oversees project operations and the execution of the group's business strategies, with a key focus on business development, client engagement, and commercial strategy. She holds a Diploma in Hotel Operational Management from the Swiss Hotel Management School and began her career in 1998 with Lira Media Sdn Bhd as a Membership Ambassador. She later became a partner in CMW Industrial Supplies before establishing Speed Business Services in 2003, managing its printing, design, and flyer distribution operations. In 2009, she co-founded SBS Prints Sdn Bhd, now known as SBS Digital

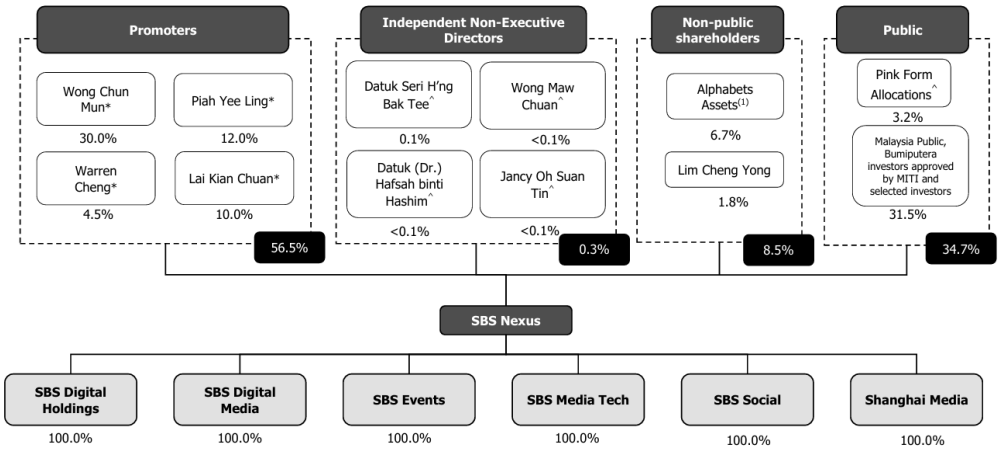
Holdings, and has since served as Executive Director, contributing significantly to the group's growth and client-facing functions.

3. Warren Cheng – Promoter, Substantial Shareholder and COO
Mr Cheng was appointed to the Board on 5 November 2024. He oversees the group's day-to-day operations, including marketing, IT, human resources, administration, and event management, ensuring operational efficiency, resource planning, and cross-functional coordination. He holds a certificate in digital marketing from Click Academy Asia and began his career in event management with Simones Models before working as a personal trainer at True Fitness World Sdn Bhd. He later founded Beat Fitness, focusing on fitness coaching and event management. In 2016, he co-founded SBS Social Group Sdn Bhd (now SBS Social), whereby he serves as Director and was later promoted to Chief Operating Officer in 2023. He continues to lead operational execution and internal functions across the group.

4. Lai Kian Chuan – Promoter, Substantial Shareholder and Head of Digital
Mr Lai is responsible for leading digital marketing initiatives to enhance brand visibility and drive client growth. He holds a Diploma in Mechanical and Manufacturing Engineering from Singapore Polytechnic. His career began with Singapore Epson Industrial Pte Ltd as an Assistant Engineer, followed by roles in sales, business ownership, and management across various companies, including Gamelife Enterprise, World of Fun n Cheer Sdn Bhd, Goo Bookstore, ShareInvestor Malaysia Sdn Bhd, N2N Advanced Learning Sdn Bhd, Winvest Global Sdn Bhd, and Pacific Invesco Capital Ltd. Since 2022, he has served as Executive Director and shareholder of NextAlpha Solutions Sdn Bhd (now SBS Media Tech), focusing on digital marketing, business development, and operational leadership.

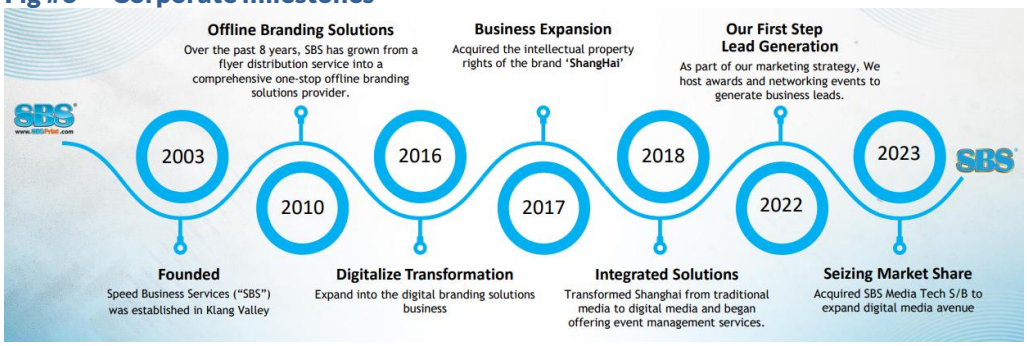
5. Lim Cheng Yong – Substantial Shareholder and CBO
Mr Lim was appointed Chief Business Officer in 2023 and is responsible for driving business development and identifying new growth opportunities for the group. After completing his SPM in 2008, he gained early operational and sales experience through roles in his family's stationery business and in automotive spare parts sales before joining SBS Digital Holdings as a Business Development Executive in 2015. He was subsequently transferred to SBS Digital Media, where he assumed his current role and continues to lead client acquisition and revenue growth initiatives across the group.

Fig #5 Substantial shareholders



Source: SBS Nexus Berhad

Fig #6 Corporate milestones



Source: SBS Nexus Berhad

Business overview

(i) Offline branding solutions (37.3% of FY24 revenue)

This segment encompasses out-of-home media, public relations and event management, as well as offline publications. Revenue is derived from the design, printing, distribution and installation of billboards, banners and buntings, management of advertising spaces, fees for event planning and execution, and the creation and publication of customer features in the *ShangHai* Book of Fame supported by related presentation events.

(ii) Digital branding solutions (57.4% of FY24 revenue)

This segment covers online marketing services, digital broadcasts, video production, digital-out-of-home and online media, as well as mobile and web-based applications and website development. Revenue stems from digital content creation and advertising management, broadcast production and embedded ad placements, bespoke video projects, digital billboard and indoor media airtime sales via Entity T, online display advertising, as well as one-off development fees and recurring maintenance for mobile apps, web-based applications and websites.

(iii) Business awards, recognition and networking events (5.3% of FY24 revenue)

This segment comprises the organisation and hosting of business awards, recognition events and networking sessions, which serve both as revenue-generating platforms and business lead-generation initiatives. These events enable outreach to entrepreneurs, micro-SMEs, SMEs and corporates, strengthening customer acquisition while offering participants enhanced branding and publicity avenues.

Fig #7 Principal business activities and services provided



Source: SBS Nexus Berhad

Financials

Revenue and income highlights. The group reported revenue growth of RM10.0m or 50.3% YoY, increasing from RM19.9m in FY23 to RM29.9m in FY24. This was primarily driven by stronger contributions from both the digital branding solutions and offline branding solutions segments, which rose by RM4.8m or 74.5% and RM7.1m or 70.8%, respectively. These gains were partially offset by a decline in the business leads generation initiatives segment, which fell from RM3.5m in FY23 to RM1.6m in FY24. In line with higher revenue, the group recorded a higher PAT of RM7.6m in FY24, up RM2.0m or 36.7% from RM5.6m in FY23.

For FPE25, the group recorded revenue growth of RM9.0m or 70.9% YoY, rising from RM12.7m in FPE24 to RM21.8m in FPE25. PAT attributable to shareholders also increased by RM1.3m or 38.8% YoY to RM4.7m, compared with RM3.4m in FPE24. However, PAT margin declined from 26.6% in FPE24 to 21.6% in FPE25 due to talent recruitment challenges, which led to higher outsourcing costs and margin compression.

Balance sheet. Total assets increased from RM20.0m in FY24 to RM27.3m in FPE25, mainly driven by higher trade and other receivables, as well as increased cash and bank balances. Total liabilities rose from RM11.4m to RM13.9m over the same period, largely due to higher borrowings and tax payable. Correspondingly, total equity expanded from RM8.6m to RM13.3m, supported by retained earnings growth. The group was in a low net gearing position of 0.02x prior to listing.

Cash flow. Despite higher PBT, net cash from operating activities declined from RM9.4m in FY23 to RM5.1m in FY24. Cash flow from investing activities improved significantly, swinging from a marginal net inflow of RM0.1m in FY23 to a net inflow of RM2.2m in FY24, mainly due to proceeds from the disposal of an investment property and the absence of intangible asset acquisitions. Cash flow from financing activities recorded a higher outflow of RM7.2m in FY24 compared with RM7.0m in FY23, following increased dividend payouts. For FPE25, the group continued to generate healthy cash flows, with a RM5.7m cash and cash equivalents at end of the period.

Earnings forecasts. Moving forward, we forecast a three-year earnings CAGR of 19.6%, with core PATMI projected to reach RM8.8m, RM11.2m and RM13.0m over the next three years. Earnings growth is underpinned by (i) recurring income from sustained marketing spend by existing customers, (ii) new customer acquisition following business expansion and relocation to a new HQ, and (iii) deeper penetration into the Malay-speaking SME segment through MyUsahawanMedia.

Fig #8 Financial Highlights

FYE Dec (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Revenue	19.9	29.9	41.9	52.6	61.9
EBITDA	8.5	11.0	12.0	15.0	17.5
EBIT	7.7	10.6	11.8	14.7	17.0
PBT	7.3	10.1	11.6	14.7	17.1
PAT	5.6	7.6	8.8	11.2	13.0
PATMI – Core	5.6	7.6	8.8	11.2	13.0
PATMI – Reported	5.6	7.6	8.8	11.2	13.0
% change YoY – Core PATMI	251%	37%	16%	27%	16%
Core EPS (sen)	1.1	1.6	1.8	2.3	2.7
P/E (x)	22.0	16.1	13.9	11.0	9.4
EV/EBITDA (x)	14.0	10.8	9.9	7.9	6.8
DPS (sen)	0.8	1.0	-	-	-
Yield (%)	3%	4%	0%	0%	0%
BVPS (RM/share)	0.0	0.0	0.1	0.1	0.1
P/B (x)	20.3	14.2	2.6	2.1	1.7
ROE (%)	148%	103%	32%	21%	20%
Net Gearing (x)	0.2	0.0	CASH	CASH	CASH

Source: M+ Research

Valuations

We assign a fair value of RM0.34 per share for SBS, based on a P/E ratio of 15x pegged to FY26F EPS of 2.28 sen. Even though the average historical and forward P/E multiples of its peers are trading between 21.7x and 23.9x, we believe the ascribed P/E is fair, reflecting SBS's smaller market capitalisation.

Fig #9 Peer comparison

Company	Market Group	FYE	Price (RM)	Market Cap (RM'm)	P/E (x)	Forward P/E (x)	ROE (%)	NP Margin (%)
SBS Nexus Berhad	**ACE**	**Dec**	**0.25**	**122.5**	***16.1**	****11.0**	***103.5**	***25.4**
Media Prima Bhd	MAIN	Jun	0.34	371.6	17.9	23.9	2.9	2.5
Star Media Group Bhd	MAIN	Dec	0.34	242.8	4.5	N/A	8.0	27.0
Seni Jaya Corp BHD	MAIN	Jun	0.47	99.3	8.5	N/A	14.6	15.2
Innity Corp Bhd	ACE	Dec	0.23	31.4	N/A	N/A	(24.1)	(6.8)
Foodie Media Bhd	ACE	Aug	0.47	417.4	56.0	N/A	19.0	25.2
Avg ex-SBS Nexus Berhad				**232.5**	**21.7**	**23.9**	**4.1**	**12.6**

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

Investment risks

Brand reputation and perception risk. The group's business performance is closely linked to the strength and reputation of its house brand, *ShangHai*, which underpins its publications, digital broadcasts and business events. Any negative publicity, adverse social media coverage, service quality issues, or misconduct by employees or customers could erode brand trust, weaken customer demand, and impair the group's ability to cross-sell its broader branding and marketing services.

Lack of long-term customer contracts. The group does not typically enter into long-term contracts, with services purchased on an as-needed or project basis. This exposes earnings to fluctuations in customer demand, project timing and billing milestones, potentially resulting in volatility in revenue, profitability and operating cash flow.

Reliance on third-party suppliers and service providers. The group depends on external vendors for printing, event execution, media platforms, production crews and other specialised services. Cost increases, supply disruptions or the inability to secure alternative providers at competitive prices may pressure margins, delay project delivery and negatively impact service quality and customer satisfaction.

Dependence on key management and talent. The continued success and expansion of the group rely heavily on its Executive Directors and senior management team. The loss of key personnel without timely and suitable replacements may disrupt operations, weaken strategic execution and adversely affect business performance.

Environmental, Social and Governance (ESG) Practices

Environmental:

- **Promotes energy conservation** in the workplace through the use of energy-efficient electrical appliances and LED lighting, while encouraging employees to switch off lights, air conditioning and equipment when not in use.
- **To reduce paper consumption**, the group is progressively digitalising its operations and fostering responsible paper usage by minimising printing, reusing paper and recycling where possible.
- **Prioritises engaging printer service providers that practise sustainable paper sourcing**, adopt eco-friendly production processes and comply with relevant environmental laws through a pre-qualification assessment process aligned with its sustainability objectives.

Social:

- **Places strong emphasis on workplace health and safety** through the implementation of relevant policies to ensure a safe and conducive environment.
- **Invests in continuous training and development programmes** to enhance employees' skills, leadership capabilities and career progression, with annual training plans proposed by each head of department to address specific operational needs.
- **Committed to equal opportunity** and fostering a diverse and inclusive workplace, recognising that diversity enhances creativity, innovation and collaboration.

Governance:

- **Implement Code of Conduct and Business Ethics Policy** to outline procedures for managing conflicts of interest, preventing money laundering, combating bribery and corruption, and avoiding insider trading.
- **Anti-Bribery and Corruption Policy** is in place to ensure compliance with applicable laws and regulations, including the Malaysian Anti-Corruption Commission Act 2009.
- **Implements a Whistleblowing Policy** to promote fairness, transparency and ethical business practices.
- **Personal Data Protection Act Policy** provides guidance on the processing of personal data for commercial and employment purposes in compliance with the Personal Data Protection Act 2010.

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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