



# Crest Group Bhd

## Equipped for Success

**ACE Market**  
**Industrial Products & Services Sector**  
**SUBSCRIBE**  
**IPO Price: RM0.35**  
**Fair Value: RM0.55**

### Valuation / Recommendation

We have a **SUBSCRIBE** recommendation on Crest Group Bhd (Crest) with a **FV of RM0.55 based on 20x FY25F EPS**, translating to 56% upside to IPO price. Our target PE is based on a 20% discount to the average valuation of its peers, to account for its smaller market capitalisation. We like the stock for its diversified geographical presence, exposure to the recovery in the semiconductor industry, and strong balance sheet.

### Investment Highlights

**Diversified geographical presence.** Crest is mainly involved in the distribution of imaging, analytical, and test equipment solutions to a wide range of industries, particularly semiconductor and E&E. The group has shown consistent strong revenue growth, achieving a 3-year CAGR of 14.7% in FY20-23. This is commendable considering that majority of its clients are from the semiconductor sector, which has been suffering a downcycle since 2H22 and has only begun nascent recovery in 2024. We believe this was largely thanks to Crest's wide customer base and diversified geographical presence in other countries such as China (24%), Thailand (27%), and Singapore (9%).

**Promising growth prospect.** We expect Crest to achieve healthy revenue growth of 8-13% in FY24F-FY26F, underpinned by several key factors. The first factor will be the recovery in the global semiconductor industry, which is anticipated to bounce back and expand by 16% and 13% in 2024-2025 respectively. Additionally, we foresee that the China+1 strategy will continue to drive new investment into Southeast Asia, particularly for Crest's key markets in Malaysia and Thailand, as well as its new expansion into Vietnam. Lastly, we expect Crest's sales in the Chinese market to remain strong, as the Chinese semiconductor industry continues to make significant investments to achieve self-sufficiency.

**Stable margins.** Given the nature of its distribution business model, Crest has maintained stable GP margins of between 28-29% in previous years, except for FY22. The decrease in FY22 was primarily caused by the sharp depreciation of the Ringgit and a significant slowdown in the semiconductor industry. Looking ahead, we anticipate that Crest will be able to uphold its GP margins at 29%, as the global semiconductor industry continues to recover and the Ringgit strengthens further. Unlike some of its listed peers, Crest is a net beneficiary of a stronger Ringgit as only 60-70% of its sales are denominated in foreign currencies, compared to >90% of its costs (mainly equipment purchase costs).

**Risk factors** for Crest Group Bhd include 1) Reliant on equipment principals, and 2) Foreign exchange risks.

FY Dec	FY22	FY23	FY24F	FY25F	FY26F
Revenue (RM m)	170.2	187.6	201.7	227.2	249.1
EBITDA (RM m)	24.5	26.2	30.0	36.4	40.0
PAT (RM m)	17.3	18.2	20.3	23.6	26.3
PAT Margin (%)	10.2	9.7	10.1	10.4	10.6
EPS (sen)	2.4	2.5	2.3	2.7	3.0
EPS Growth (%)	8.7	5.3	(5.4)	16.2	11.7
BV Per Share (sen)	7.4	8.2	13.9	15.8	18.0
PE (x)	14.9	14.1	14.9	12.8	11.5
Net Gearing (%)	Cash	Cash	Cash	Cash	Cash
ROE (%)	31.8	30.1	16.8	17.2	16.9

### Business Overview

Crest Group Berhad is mainly involved in the distribution of imaging, analytical, and test equipment solutions, as well as provision of after-sales services.

### Listing Details

Listing date	9 October 2024
Shariah compliant	Yes
New shares (m)	130.7
Offer for sale (m)	103.9
Funds raised (RM m)	45.7

### Post Listing

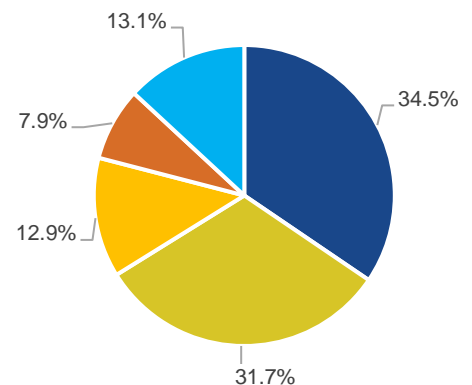
Ordinary shares (m)	865.6
Market cap (RM m)	303.0
Free float (%)	26.8
P/E (FY24F)	14.9

### Top 3 Shareholders

Climan Sdn. Bhd	55.0%
Lim Siong Wai	6.0%
Yap Kian Meng	5.7%

### Utilisation of Proceeds

	RM m
Setup of a new centralised headquarters	15.8
Business expansion	14.5
Purchase of additional demonstration equipment	5.9
Expansion of technical support and maintenance team	3.6
Estimated listing expenses	6.0

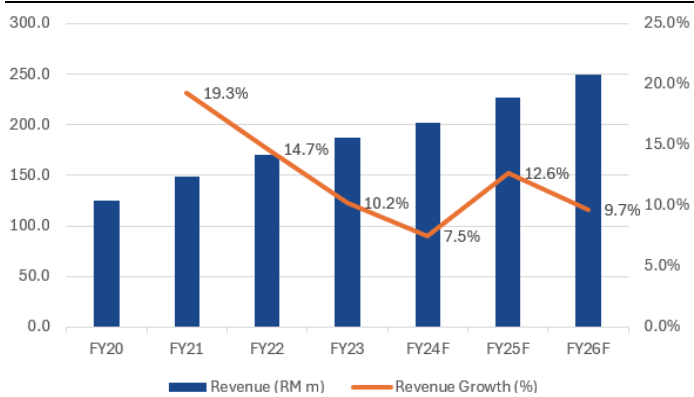


Source: Company, Mercury Securities



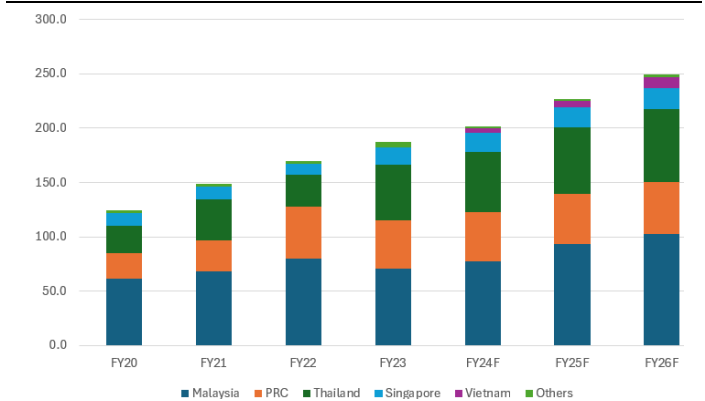
## Financial Highlights and Valuation

**Figure 1: Revenue trend**



Source: Company, Mercury Securities

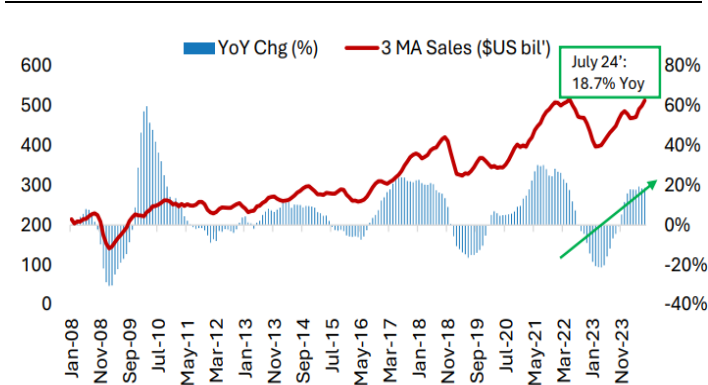
**Figure 2: Revenue breakdown by countries**



Source: Company, Mercury Securities

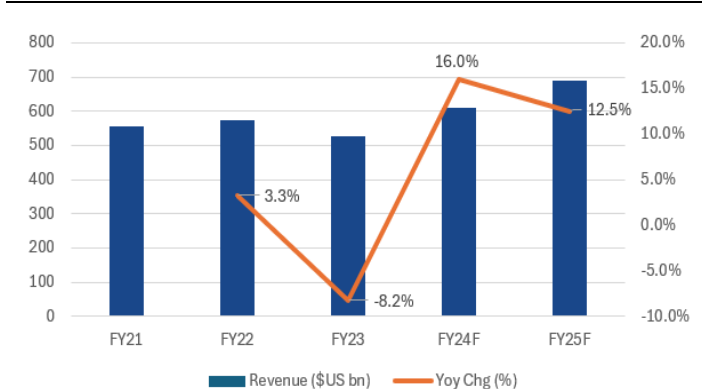
**Resilient performance.** Crest has shown consistent strong revenue growth, achieving a 3-year CAGR of 14.7% from FY20 to FY23. This is commendable considering that majority of its clients are from the semiconductor sector, which has been suffering a downcycle since 2H22 and has only begun nascent recovery in 2024. We believe this was largely thanks to Crest's wide customer base and diversified geographical presence in other countries such as China (24%), Thailand (27%), and Singapore (9%). For instance, the robust performance of the Thailand market (+71%) and Singapore market (+65%) has helped to more than offset the decline in the Malaysia market (-12%) in FY23.

**Figure 3: Global semiconductor sales, in USD bn**



Source: WSTS

**Figure 4: Global semiconductor sales forecast, in USD bn**



Source: WSTS

**Promising growth prospect.** We expect Crest to achieve healthy revenue growth of 8-13% in FY24F-FY26F, underpinned by several key factors, which are:

- Further recovery in the global semiconductor market.** The worldwide semiconductor industry is anticipated to bounce back and expand by 16% and 13% in 2024 and 2025 respectively, following a period of sluggishness in 2022 and 2023 (see Figure 4). This resurgence will be fuelled by increased demand for memory and logic ICs, thanks to the widespread application of artificial intelligence (AI).
- Rising FDI into Malaysia, with NSS at the forefront.** Launched in May 2024, the National Semiconductor Strategy (NSS) aims to elevate Malaysia's position in the global semiconductor supply chain over the next ten years. The strategy targets investments, growth of local companies, R&D development, workforce training, and fiscal support to shift focus to higher-end activities such as IC design and high-end manufacturing. This strategic shift is expected to boost the local semiconductor industry and drive higher investment in the country, thereby increasing demand for Crest's equipment solutions.

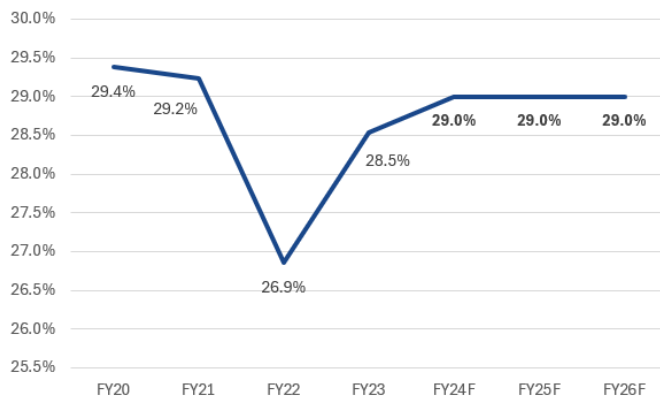


3. **China+1 strategy driving investment into Southeast Asia.** Due to ongoing trade tensions, semiconductor companies are diversifying away from China and establishing additional manufacturing hubs in other regions, such as Southeast Asia (the China+1 strategy). Apart from Malaysia, Thailand (which is another key market for Crest) has also attracted major investment into the country, with various incentives being offered such as tax breaks, land subsidies, and support for workforce development.

Vietnam, which Crest intends to expand into as part of its IPO plan, is also seeing significant investment in the semiconductor sector, with companies like Nvidia and Samsung looking to expand their chip businesses there. The Vietnamese government has also provided incentives such as tax breaks and industry grants to support this growth.

4. **China's continued investment in self-sufficiency.** We expect that Crest's sales in the China market (24% of FY23 revenue) will remain robust, as the Chinese semiconductor industry continues to invest massively to achieve self-sufficiency, supported by incentives from the Chinese government.

**Figure 5: Crest GP margins, %**



Source: Company, Mercury Securities

**Stable margins.** Given the nature of its distribution business model, Crest has maintained stable GP margins of between 28-29% in previous years, except for FY22. The decrease in GP margins to 26.9% in FY22 was primarily caused by the sharp depreciation of the Ringgit and a significant slowdown in the semiconductor industry. Looking ahead, we anticipate that Crest will be able to uphold its GP margins at 29%, as the global semiconductor industry continues to recover and the Ringgit strengthens further.

**Net beneficiary of stronger Ringgit.** Unlike some of its listed peers, Crest is a net beneficiary of a stronger Ringgit as only 60-70% of its sales are denominated in foreign currencies, compared to >90% of its costs (mainly equipment purchase costs). In contrast, its peers primarily sold their own manufactured equipment in USD terms, while certain costs incurred (particularly manpower) are based in local currency.

**Strong balance sheet with net cash position.** Crest generates strong free cashflow and has a healthy balance sheet with a net cash position even prior to its IPO. This has enabled the group to pay generous dividends to its existing shareholders in the past. Post-listing, Crest intends to adopt a formal dividend policy of at least 30% payout.

**RM0.55 FV based on 20x FY25F EPS.** We have identified Bursa-listed peers that are primarily involved in the semiconductor equipment business. QES Group is a closer comparable peer because of its similar business model (86% of sales from distribution) to Crest, while other peers are mainly focused on manufacturing.

We peg a target forward PE valuation of 20x for Crest, which is at a 20% discount to peers' average PE to account for its smaller market capitalisation. Applying it to our FY25F EPS forecast of 2.7sen, we arrive at our fair value of RM0.55 for Crest.



**Peer Comparison (as of 20 September 2024)**

Company	Bloomberg Ticker	Share Price (RM)	Mkt Cap (RM m)	EPS Growth (%)		P/E (x)		P/B		ROE (%)		Net Yield (%)
				2024	2025	2024	2025	2024	2025	2024	2025	
<b>Direct Peer:</b>												
QES Group	QES MK	0.58	480.6	31.2	20.7	19.8	16.4	2.7	2.1	11.2	14.6	1.2
<b>Other Peers:</b>												
ViTrox Corp	VITRO MK	3.34	6,319.2	6.0	43.1	46.8	32.7	6.2	4.9	13.9	17.7	0.6
Greatech	GREATEC MK	2.25	5,647.1	21.8	20.0	30.4	25.3	6.2	5.0	22.4	22.0	0.0
Pentamaster Corp	PENT MK	3.78	2,693.1	4.5	22.9	28.9	23.5	3.4	2.9	12.4	12.9	0.6
Mi Technovation	MI MK	2.01	1,809.7	34.5	18.1	24.1	20.4	1.6	1.6	6.7	7.7	2.1
<b>Simple Average</b>				<b>19.6</b>	<b>24.9</b>	<b>30.0</b>	<b>23.7</b>	<b>4.0</b>	<b>3.3</b>	<b>13.3</b>	<b>15.0</b>	<b>0.9</b>
<b>Crest Group</b>	<b>CREST MK</b>	<b>0.35</b>	<b>303.0</b>	<b>(5.4)</b>	<b>16.2</b>	<b>14.9</b>	<b>12.8</b>	<b>2.5</b>	<b>2.2</b>	<b>16.8</b>	<b>17.2</b>	<b>2.0</b>

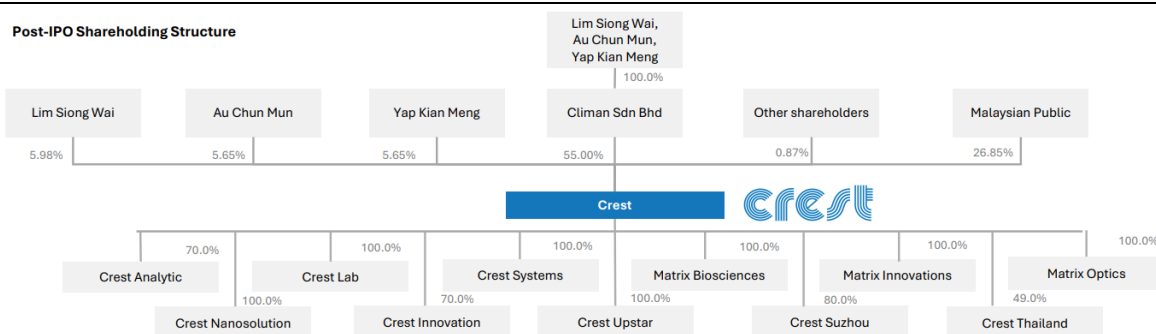
Source: Bloomberg, Mercury Securities



## Company Background

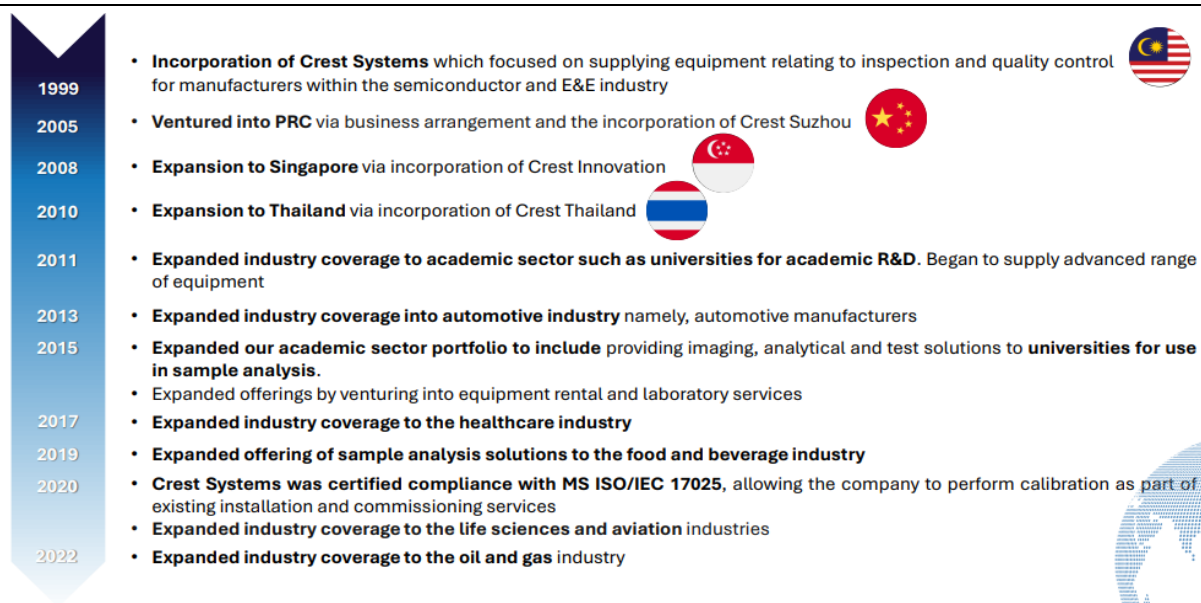
**Imaging solutions provider.** Established in 1999, Crest is mainly involved in the distribution of imaging, analytical and test equipment solutions used primarily for quality inspection, sample analysis, and R&D. The group provides its solutions to a wide range of industries, including semiconductor, E&E, academic, automotive, oil and gas, aviation, life sciences, and healthcare. Crest's business activities can be segmented into 1) Provision of imaging, analytical and test solutions; and 2) Provision of after-sales services.

**Figure 7: Crest Group Structure**



Source: Company

**Figure 8: Crest's Milestones**

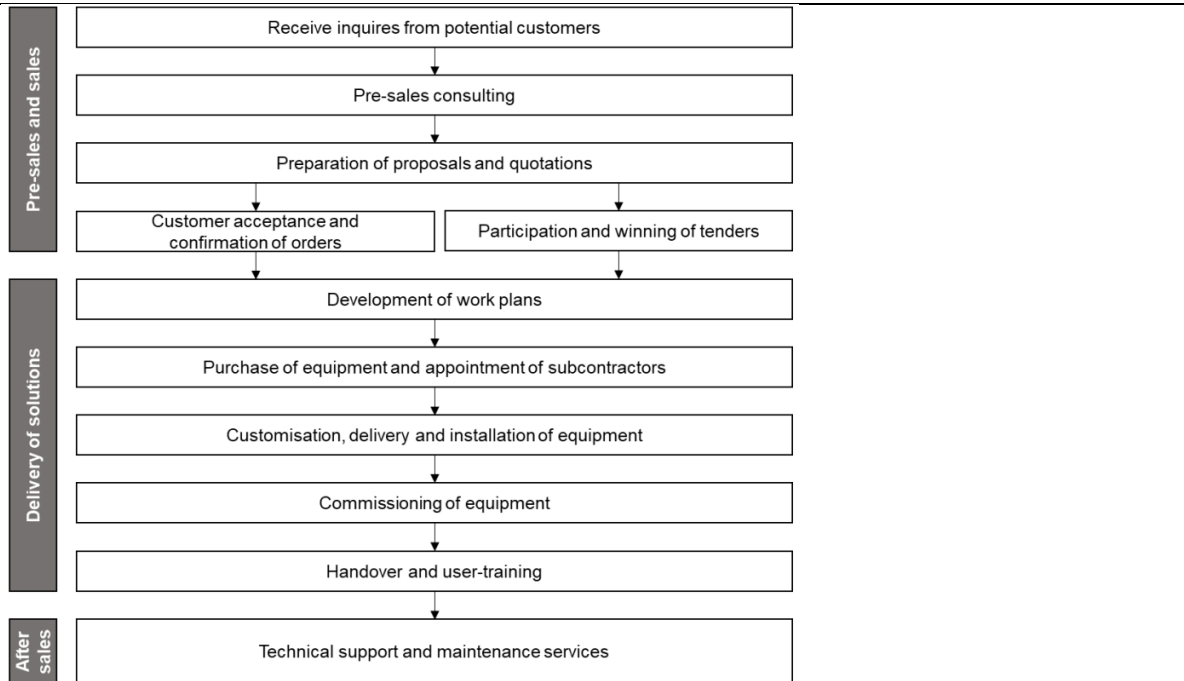


Source: Company

**Key revenue driver.** Crest's primary sources of revenue stem from distributing imaging, analytical, and test solutions, which involve pre-sales consulting, equipment sales and customisation, installation and commissioning, and user training services. The group's sales and marketing strategies encompass a variety of approaches, including direct outreach, referrals from business partners, product demonstrations, participation in trade shows, hosting webinars, and responding to tender requests.

**Complementary after-sales services.** Crest also provides after-sales services that complement its imaging, analytical, and test solutions. These services may include technical support, maintenance, spare parts sales, and consumables. Clients who use Crest's equipment solutions usually receive a warranty of up to one year for after-sales services. Additionally, Crest also offers technical support and maintenance services to customers using equipment from their principals, even if they didn't purchase their solutions from Crest.

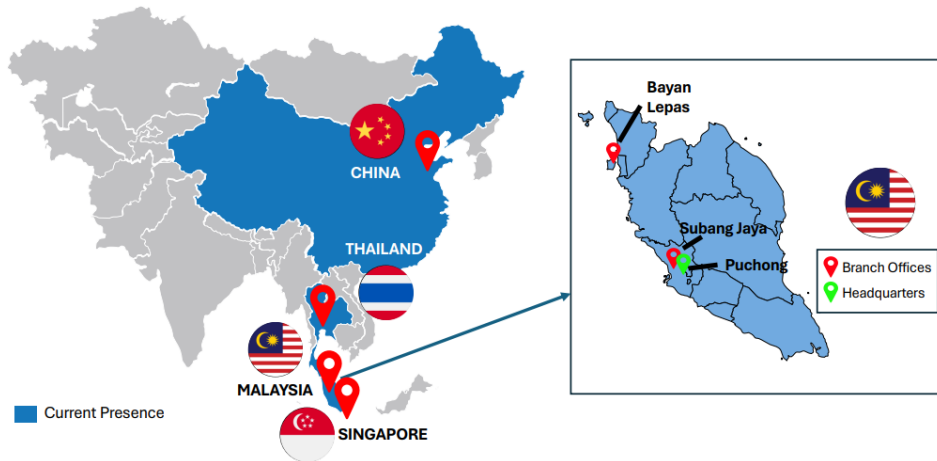
**Figure 9: Business and Operational Process**



Source: Company

**Geographically diversified.** Crest's headquarters is located in Puchong, Selangor, with local branch offices in Subang Jaya, Selangor, and Bayan Lepas, Penang. The group also operate overseas branch offices in Suzhou, Bangkok, and Singapore. Each office is staffed with local sales and technical personnel to handle sales, consulting, installation, technical support, maintenance, and user training. In addition to the four regions mentioned, Crest also serves customers from Vietnam, Hong Kong, and Brunei.

**Figure 10: Geographical distribution of outlets and DCs**



Source: Company

**Wide range of equipment solutions.** Crest purchases imaging, analytical, and test equipment as part of its solutions from principal and dealer suppliers. The equipment's principal manufacturers are mainly multinational companies (MNCs) that design, develop, and/or manufacture the equipment. Crest also procures equipment from dealers who purchase from these principal manufacturers. As of August 2024, Crest is registered as a distributor for 23 principals from France, Germany, Japan, Malaysia, Switzerland, the UK, and the USA. Out of these, Crest has exclusive distributorships with 12 of these principals.



**Figure 11: Key Management Team**

Name and Designation	Age	Profile
<b>Lim Siong Wai</b> Non-Independent Executive Director Group Managing Director	53	<ul style="list-style-type: none"> <li>Approximately 28 years of experience in the imaging, analytical and test-related equipment business.</li> <li>In charge of overseeing the overall performance, general management and business strategies.</li> <li>Diploma in Science in Microelectronics from Tunku Abdul Rahman College, Malaysia</li> <li>Bachelor of Science degree majoring in Microelectronics Physics from Campbell University, USA</li> </ul>
<b>Au Chun Mun</b> Non-Independent Executive Director	53	<ul style="list-style-type: none"> <li>Approximately 28 years of experience in the imaging, analytical and test-related equipment business.</li> <li>In charge of leading the sales division</li> <li>Diploma in Science from Tunku Abdul Rahman College, Malaysia</li> <li>Bachelor of Science degree majoring in Microelectronics Physics from Campbell University, USA</li> </ul>
<b>Ong Yee Peng</b> Non-Independent Executive Director	55	<ul style="list-style-type: none"> <li>Approximately 30 years of experience in the imaging, analytical and test-related equipment business.</li> <li>In charge of leading the service and technical support division.</li> <li>Bachelor of Science degree majoring in Computer Science Physics from Campbell University, USA</li> </ul>
<b>Kwong Wing Yew</b> Vice President of Sales	47	<ul style="list-style-type: none"> <li>23 years of experience in the electronics field</li> <li>In charge of overseeing Crest's sales operations in Malaysia, focusing on the electronics industry.</li> <li>Bachelor of Engineering in Mechanical &amp; Materials Engineering with Honours from National University of Malaysia (UKM)</li> </ul>
<b>Tan Chun Hau</b> General Manager of Technical Support	43	<ul style="list-style-type: none"> <li>Over 20 years of working experience in the equipment and sales industry.</li> <li>In charge of overseeing the overall performance of after-sales services for Crest</li> <li>Bachelor of Engineering in Electrical &amp; Electronic Engineering with Honours from the University of Hertfordshire, United Kingdom</li> </ul>
<b>Lyn Meng Keong</b> General Manager	53	<ul style="list-style-type: none"> <li>Over 30 years of working experience in the equipment and sales industry.</li> <li>In charge of executing marketing strategies and business development programmes for the non-electronics market segment.</li> <li>International Diploma in Computer Studies from The National Center for Information Technology, United Kingdom</li> </ul>
<b>Khor Seng Chee</b> Financial Controller	52	<ul style="list-style-type: none"> <li>Over 22 years of professional working experience in the fields of auditing, accounting and finance</li> <li>In charge of overseeing the overall financial and accounting functions, including financial review, financial planning and cash flow management.</li> <li>Diploma in Commerce (Financial Accounting) from Tunku Abdul Rahman College of Kuala Lumpur</li> <li>Admitted as a Fellow of the ACCA in January 2008 (FCCA).</li> </ul>

Source: Company



## Future Plans & Business Strategies

**Set up a new headquarters (HQ) in Selangor.** Crest plans to establish a new headquarters in Selangor to centralise operations, improve management efficiency and support future growth. This move will streamline operations across three rented offices and provide space for business expansion. The new HQ will also include a demonstration room for showcasing equipment and conducting internal training, enhancing customer engagement and staff development.

**Purchase additional demonstration equipment.** Crest intends to purchase additional equipment after setting up demonstration rooms at their offices in Malaysia, PRC, and Thailand. This will allow customers to experience the latest technology, enhancing product demonstrations and maintaining the company's competitive edge. Regularly upgrading demonstration equipment ensures the company stays up to date with technological advancements, driving business growth and customer satisfaction.

**Geographical expansion to Vietnam and continued expansion in PRC and Thailand.** To capitalise on market opportunities, Crest plans to expand into Vietnam and further within PRC and Thailand. A new office in Vietnam will tap into the rapidly growing semiconductor sector of Vietnam, while new offices in Chengdu and Shenzhen, PRC, will allow the group to serve regional customers more effectively. Expanding into new industries in Thailand, such as life sciences, will also help diversify its offerings and strengthen its presence in Asia. A total of 23 employees will be hired to fill the new positions in these new branches.

**Expansion of services and support team.** Crest plans to enhance its after-sales services by hiring a total of 10 additional personnel in Malaysia, Singapore, Thailand, and the PRC. The expansion is to improve customer satisfaction and generate more recurring revenue via strengthening technical support and maintenance services. This expansion will support long-term business growth by ensuring reliable and comprehensive customer service to sustain the current customer base and obtain more customers.

## Key Risks

**Reliant on equipment principals.** Crest depends heavily on its equipment principals for the supply of imaging, analytical, and test equipment as they do not manufacture or develop the equipment themselves. Any disruption in the relationships with their top two major suppliers could delay operations and negatively impact Crest's ability to meet customer demand and financial performance, as more than 50% of Crest's equipment purchases are from them.

**Foreign exchange exposure.** Many of Crest's sales and purchases are transacted in foreign currencies, exposing Crest to exchange rate fluctuations. Despite efforts to hedge risks and align transactions in the same currencies, adverse exchange rate movements may still negatively affect Crest's financial results and profitability.

**End-user industries risks.** Crest's performance is tied to the success of its customers' end-user industries, which may be affected by technological changes, declining demand, and various political or economic risks. If these industries experience downturns, demand for Crest's solutions could be reduced, adversely impacting its operations and financial performance.





## IPO Details

	Offer for Sale (m)	Public Issue (m)	Total (m)	(%)
<b><u>Retail Offering</u></b>				
Eligible Persons	-	13.0	13.0	1.5
Malaysian Public (Bumiputera)	-	21.6	21.6	2.5
Malaysian Public (Non-Bumiputera)	-	21.6	21.6	2.5
<b><u>Institutional Offering</u></b>				
MITI	33.8	74.4	108.2	12.5
Selected investors	70.1	-	70.1	8.1
<b><u>Total</u></b>	<b>103.9</b>	<b>130.7</b>	<b>234.6</b>	<b>27.1</b>

Source: Company



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