



# Winstar Capital

## Solar-Powered Growth

**Ace Market**  
**Industrial Sector**  
**SUBSCRIBE**  
IPO Price: RM0.35  
Fair Value: RM0.52

### Valuation / Recommendation

We have a **SUBSCRIBE** recommendation on Winstar Capital with an **FV of RM0.52 based on 10x FY25F EPS**, translating to 47% upside to the IPO price. Our target PE is slightly above the industry average of 7.9x, reflecting the strong earnings growth potential for Winstar, driven in part by strategic ventures with Sunview Group to expand into the solar panel market.

### Investment Highlights

**Riding the wave of construction and property boom.** Winstar is benefiting from the strong post-pandemic recovery in Malaysia's construction and property development industries, where annual property transaction values have more than doubled from RM46.9bn in 1H2020 to RM105.7bn in 1H2024. Revenue has grown from RM89.8m in FY21 to RM153.7m in FY23, with a CAGR of 30.9%. This momentum is expected to continue, with revenue projected to reach RM339.4m by FY26, reflecting an impressive CAGR of 29.2% over the next three years. As a key supplier of aluminium products with an extensive portfolio of over 2,000 SKUs and a diverse customer base of 3,145 customers, we believe Winstar is well-positioned to meet the growing demand for essential building materials.

**Ramping up capacity.** To keep pace with demand, Winstar is doubling its aluminium extrusion lines from four to eight, increasing capacity from 6,705 tonnes in FY23 to 15,285 tonnes by FY26. This strategic expansion, funded by RM9.6m from IPO proceeds, will be carried out at the new Lot 903 facility. The installation will be in phases, with two lines operational by 2Q25 and another two by 2Q26. While utilisation rates are expected to moderate to 63%-70%, total production is expected to rise significantly to 7,000 tonnes and 9,700 tonnes, respectively.

**Expansion into solar PV industry** through Vafe System, a subsidiary of Sunview Group Berhad, opens up new opportunities in the renewable energy sector. This move is well-timed, as the solar market is projected to grow, supported by initiatives like the Green Technology Financial System (GTFS) and a boost in NETR funding of over RM300m post-Budget 2025. Projects such as the LSS5 program, with a 2,000 MW capacity, are set to drive strong demand for solar components. By providing essential mounting structures, we believe Winstar is in a good position to secure key contracts and strengthen its presence in the renewable energy market.

**Risk factors** for Winstar include (1) Dependence on major supplier, (2) Disruptions in electricity supply, and (3) Fluctuation in price of aluminium.

FY Dec	FY22	FY23	FY24F	FY25F	FY26F
Revenue (RM m)	109.9	153.7	203.5	258.6	339.4
EBITDA (RM m)	11.0	17.2	21.5	28.4	38.5
PAT (RM m)	5.3	8.0	11.0	15.0	21.0
PAT Margin (%)	4.8	5.2	5.4	5.8	6.2
EPS (sen)	2.3	3.4	3.8	5.2	7.3
EPS Growth (%)	100.5	52.3	10.4	36.1	40.6
BV Per Share (sen)	23.6	31.1	34.5	38.1	43.2
PE (x)	15.5	10.2	9.2	6.8	4.8
Net Gearing (x)	0.7	0.8	0.5	0.5	0.4
ROE (%)	9.5	11.0	11.0	13.5	16.8

#### Business Overview

The Winstar Group operates in the midstream and downstream aluminium industry, converting billets into extruded aluminium profiles. These profiles are utilised in fabricating building materials such as window and door frames, and the Group also produces aluminium ladders using its own extruded profiles.

#### Listing Details

Listing date	19 Dec 2024
New shares (m)	56.6
Offer for sale (m)	17.4
Funds raised (RM m)	19.8

#### Post Listing

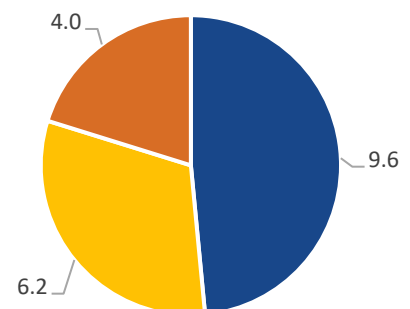
Ordinary shares (m)	233.5
Market cap (RM m)	101.5
Free float (%)	25.1
P/E (FY24F)	9.2

#### Top 3 Shareholders

Chua Nyok Chong	26.0%
Vafe System	24.2%
Chua Boon Hong	8.6%

#### Utilisation of Proceeds

	RM m
Purchase of new aluminium machines	9.6
Working capital	6.2
Listing expenses	4.0

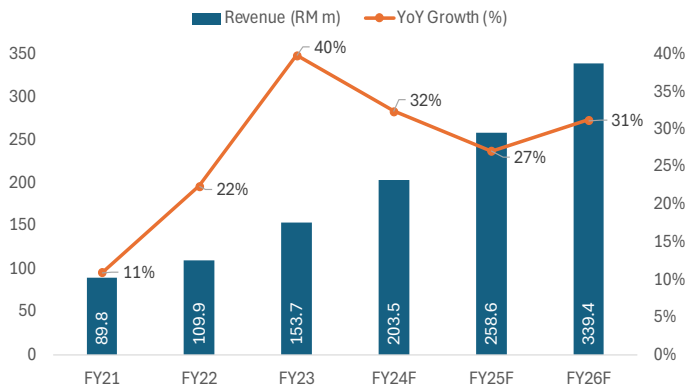


Source: Company, Mercury Securities



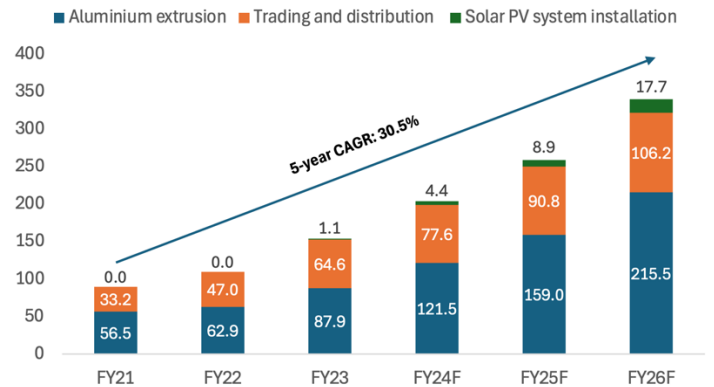
## Financial Highlights and Valuation

**Figure 1: Revenue trend (in RM m)**



Source: Company, Mercury Securities

**Figure 2: Revenue breakdown (in RM m)**

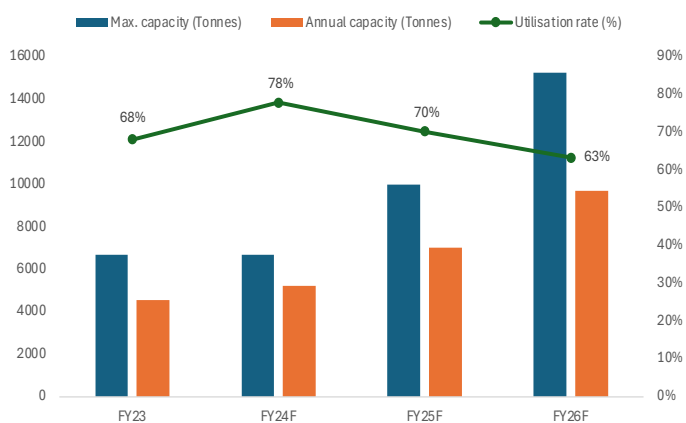


Source: Company, Mercury Securities

**Revenue boost helped by construction and property upswing.** Winstar Capital Berhad has recorded an impressive CAGR of 30.9%, with revenue rising from RM89.8m in FY21 to RM153.7m in FY23 and projected to reach RM339.4m by FY26, reflecting a CAGR of 29.2% over the next three years. This strong growth is closely aligned with the robust post-pandemic recovery in Malaysia’s construction and property development industries, where annual property transaction values have more than doubled—from RM46.9bn in 1H2020 to RM105.7bn in 1H2024 (Figure 4). A thriving property market translates to increased new launches and construction projects, directly benefiting Winstar as a supplier in the midstream and downstream segments of the aluminium industry value chain. The Group’s expertise in converting aluminium billets into high-quality extruded aluminium profiles, supported by an extensive portfolio of approximately 2,000 SKUs, positions Winstar to meet the growing demand for essential building materials.

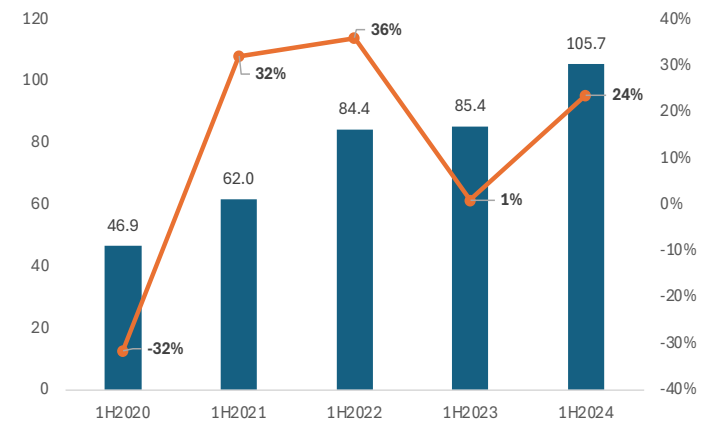
**Scaling up production with new facilities.** Winstar is set to enhance its production capacity by doubling the number of aluminium extrusion lines from four to eight. This expansion, funded by RM9.6m from its IPO (48.3% of the public issue), will raise the total aluminium extrusion capacity from 6,705 tonnes in FY23 to 15,285 tonnes by FY26 upon full installation. The new extrusion lines will be housed in its Lot 903 facility, an 80,000 sq. ft. space designed to support increased production and storage needs, including building materials purchased in bulk as part of the Group’s secondary revenue stream. Installation of the new capacity will be in phases - two lines by 2Q25 and another two by 2Q26. Due to the significant increase in capacity, we estimate that utilisation rates will decrease to 63%-70% in FY25-26, but total production is expected to be higher at 7,000 tonnes and 9,700 tonnes respectively.

**Figure 3: Production capacity and utilisation rate (%)**



Source: Company, Mercury Securities

**Figure 4: Annual property transaction value (in RM bn)**



Source: National Property Information Centre

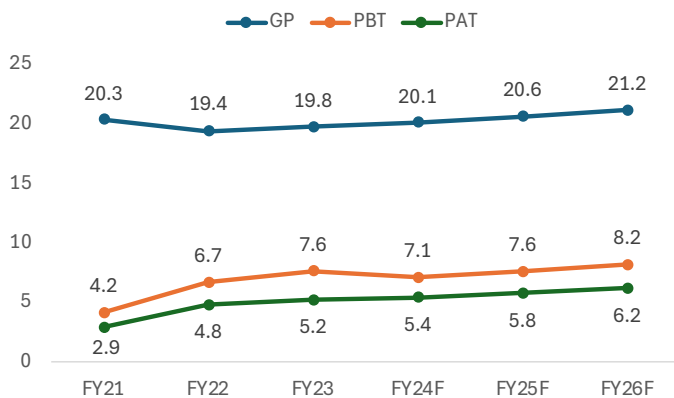


**A growing and diversified customer base.** Winstar’s customer base is notably diversified, which helps reduce concentration risk. In July 2024, the top five customers are Kerjaya Prospek, Fabulous Sunview, Sunview Windstar, SA Aluminium and Glass, Lynox Industries, and a long-standing client of 20 years, Sunway Winstar—each contributed less than 10% to the Group’s total revenue. These five customers together accounted for only 20.9% of the Group’s total revenue of RM108m for the 7-month ending FY2024 period, while the remaining 79.1% came from a diverse network of 3,145 customers.

This diverse customer base reflects Winstar’s ongoing efforts to broaden its market reach, evidenced by a significant growth of 32.6% since FY21 when the Group served about 2,372 customers. Additionally, Winstar’s aluminium products have been utilised in numerous high-profile construction projects, including The Conlay (Kuala Lumpur), Bloomsvale Residence, The Vue @ Monterey, and Papyrus @ North Kiara, further highlighting its strong presence and reliability within the industry.

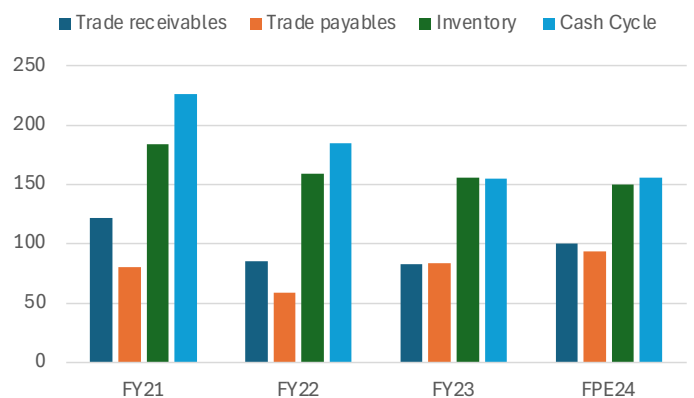
**Expansion into solar PV industry.** The group expanded into the solar PV industry last year through Vafe System, a subsidiary of Sunview Group Berhad, opening opportunities to fabricate aluminium solar PV mounting structures. This move is timely as the solar industry outlook remains strong, backed by key energy initiatives like the Green Technology Financial System (GTFS) and increased NETR funding of over RM300m post-Budget 2025. Projects such as the LSS5 program, with its 2,000 MW capacity, will drive demand for solar components. Winstar can benefit by supplying essential mounting structures, securing contracts, and strengthening its position in the growing renewable energy market.

**Figure 5: Margin trend (%)**



Source: Company, Mercury Securities

**Figure 6: Average turnover days**



Source: Company, Mercury Securities

**Solid margins supported by expansion.** Winstar is expected to maintain a stable PAT margin of 5% to 6%, supported by its business model of manufacturing, trading, and distributing aluminium products. The company’s strategic expansion in production capacity—from 6,705 tonnes in FY23 to 15,285 tonnes by FY26 upon full installation—positions it to capitalise on the rising demand from the booming construction and property sectors. Additionally, the company also purchases in larger volumes to lower costs per unit for its trading and distribution of building materials segment.

**Healthy balance sheet.** Winstar has maintained a solid balance sheet, with a steady cash position and a net gearing ratio of 0.75x in FY23. Post-IPO, with its robust balance sheet and effective working capital management, Winstar plans to adopt a formal dividend policy, targeting at least a 30% payout.

**RM0.52 FV based on 10x FY25 EPS.** We assign Winstar Capital Berhad a target PE of 10x, which is slightly above the industry average of 7.9x. Its comparable peers primarily operate in the midstream and downstream aluminium sector. Our higher target PE reflects strong earnings growth potential for Winstar, driven in part by strategic ventures with Sunview Group Berhad for expansion into the solar panel market.



**Peer Comparison (as at 02 Dec 2024)**

Company	Bloomberg Ticker	Share price (RM)	Mkt Cap (in RM m)	EPS (sen)	P/E (x)	P/B (x)	ROE (%)	Net Yield (%)
LB Aluminium Bhd	LBA MK	0.49	213.1	8.0	6.3	0.5	8.3	5.1
P.A. Resources Bhd	PARB MK	0.27	398.8	3.0	9.4	1.2	13.8	1.9
<b>Simple Average</b>				<b>5.5</b>	<b>7.9</b>	<b>0.9</b>	<b>11.1</b>	<b>3.5</b>
Winstar Capital Berhad	WINSTAR MK	0.35	101.5	3.4	10.2	1.1	11.0	-

Source: Bloomberg, Mercury Securities

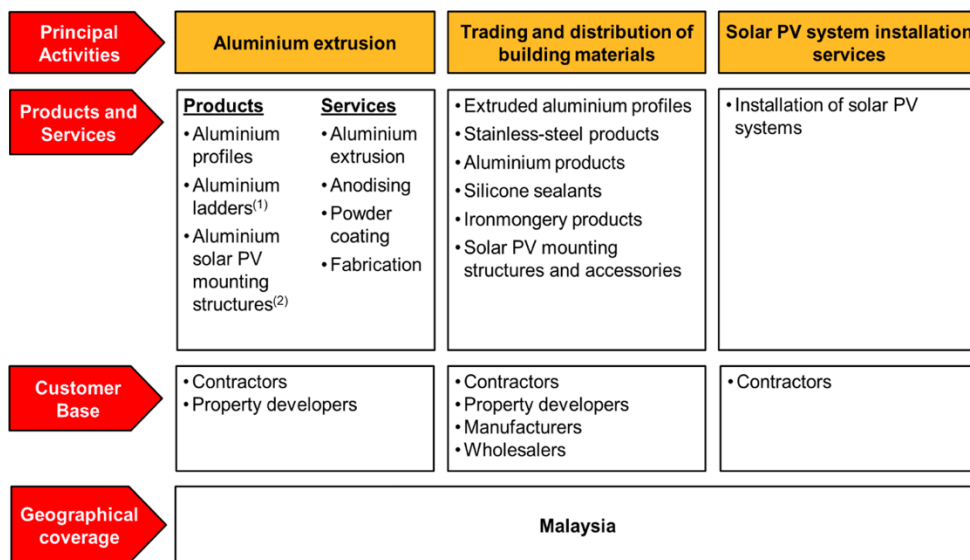


## Company Background

**A rising player in the aluminium industry.** The Winstar Group is involved in the midstream and downstream segments of the aluminium industry value chain where the Group converts aluminium billets into primary aluminium products, namely extruded aluminium profiles. The Group is also involved in the fabrication and assembly of extruded aluminium profiles into aluminium ladders. This also can be used by its customers to fabricate various building materials such as window and door frames.

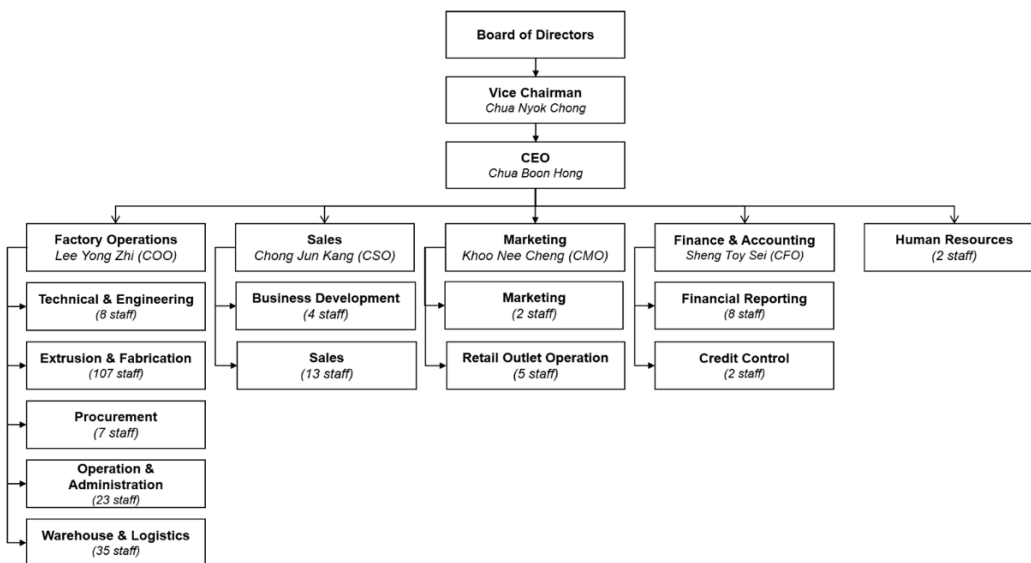
Through its trading division, Winstar distributes a wide range of building materials, including aluminium profiles, stainless steel, silicone sealants, and ironmongery products. By leveraging the expertise of corporate shareholder Vafe System and parent company Sunview Group Berhad, Winstar Solar expanded into solar PV materials trading and installation services in FY23. By early FY24, the Group has begun to fabricate aluminium solar PV mounting structures for the installation of solar PV systems.

**Figure 7: Business overview**



Source: Company

**Figure 8: Winstar's organisation structure**



Source: Company

**Figure 9: Aluminium extrusion**

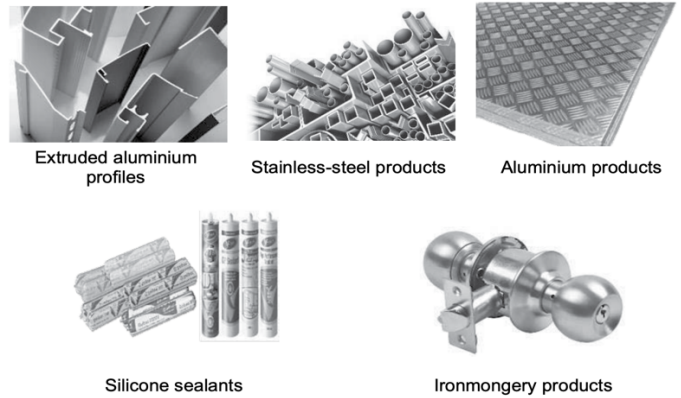


Source: Company

**Aluminum extrusion and profile production.** Winstar undertakes aluminium extrusion to create profiles primarily used in construction and property development. During the initial product development stage, the Group collaborates with customers to design the die for extrusion and obtain engineering feedback. The die, a thick metal disk with an opening, shapes the aluminium billets into profiles. Once the die design is approved, the Group will engage a third-party supplier to produce it. (Figure 7)

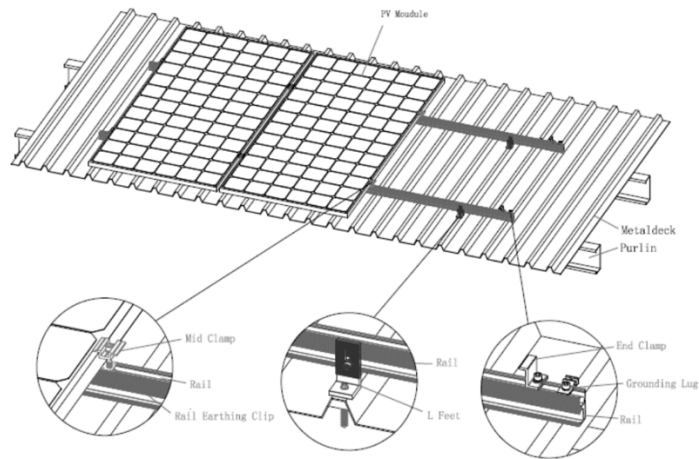
**Trading and distribution of building materials** to customers in construction, property development, manufacturing, and wholesale industries. Materials are sourced in bulk from suppliers and stored at the Group's facilities for efficient management. Additionally, the Group supports customers by sourcing and procuring building materials that are not typically stocked, ensuring comprehensive service and flexibility to meet various project needs. (Figure 8)

**Figure 10: Trades and distribute building materials**



Source: Company

**Figure 11: Solar PV system installation services**



Source: Company

**Expanding Into Solar PV Solutions.** Winstar has expanded into solar PV system installation services, including fabricating aluminium mounting structures, supporting projects like a 50 MWAC solar PV facility in Pekan, Pahang, rooftop installations in Kuala Langat, Selangor, and car park projects in Shah Alam, Selangor, leveraging its partnership with Sunview Group and its expertise in building materials.

**Figure 12: Winstar's top 5 suppliers**



Source: Company

**Supplier dependence.** Suppliers have consistently played a crucial role in the group's purchasing activities. Formosa, in particular, stands out as a major supplier with a longstanding partnership spanning approximately 20 years. As of the LPD, Formosa has contributed between 40% and 44% of the Group's total purchases from FY21 to 7-month ending FY24. While the group also relies on other suppliers, none of these has contributed more than 10% to the total purchases. (Figure 10)

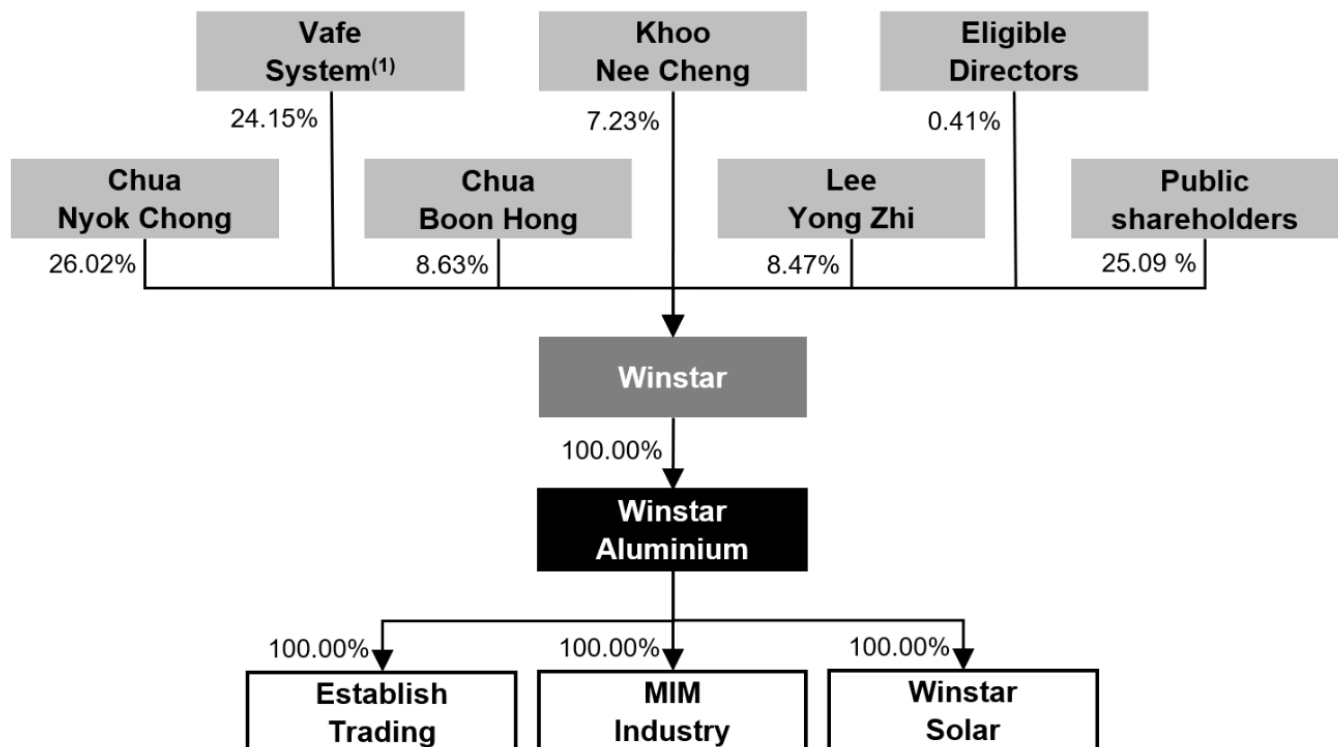


**Figure 13: Key management team**

Name and Designation	Age	Profile
<b>Chua Nyok Chong</b> Non-Independent Executive Vice Chairman	64	<ul style="list-style-type: none"> <li>Responsible for setting the Group's business direction and strategies.</li> <li>Acquire Winstar Solar in 1998 and founded Winstar Aluminium in 2002.</li> <li>More than 49 years of experience in aluminium and construction industry.</li> </ul>
<b>Chua Boon Hong</b> Non-Independent Executive Director and CEO	34	<ul style="list-style-type: none"> <li>Overseeing operations and implementing business growth strategies for the Group.</li> <li>More than 10 years of experience in operation and sales within the aluminium industry.</li> <li>London Chamber of Commerce and Industry (LCCI) in Segi College, Malaysia.</li> </ul>
<b>Lee Yong Zhi</b> Non-Independent Executive Director and COO	41	<ul style="list-style-type: none"> <li>Oversees all operations, ensuring compliance with the relevant regulations requirement and industry standards as well as conduct regular process reviews.</li> <li>Over 15 years of experience in engineering and business development with Alps Electric, O.Y.L. Manufacturing, Daikin McQuay Middle East, Winstar Trading and Geniursoft.</li> <li>Bachelor of Engineering from Multimedia University, Malaysia.</li> </ul>
<b>Sheng Toy Sei</b> CFO	38	<ul style="list-style-type: none"> <li>Responsible for the financial planning, budgeting and forecasting processes of the Group.</li> <li>More than 10 years of experience in accounting, external audit and financial planning.</li> <li>Member of the MIA and Association of Chartered Certified Accountants.</li> <li>Bachelor of Science in Applied Accounting from Oxford Brookes University, UK.</li> </ul>
<b>Chong Jun Kang</b> CSO	32	<ul style="list-style-type: none"> <li>Responsible for formulating and implementing strategies to improve sales and KPI milestone.</li> <li>More than 10 years of experience in sales and marketing activities.</li> <li>SMK Raja Jumaat Port Dickson, Malaysia.</li> </ul>
<b>Knoo Nee Cheng</b> CMO	39	<ul style="list-style-type: none"> <li>Responsible for formulating and implementing marketing strategies and maintain proper relationship with the Group's customers.</li> <li>More than 22 years of experience with Winstar Group in sales and marketing.</li> </ul>

Source: Company, Mercury Securities

**Figure 14: Group structure post listing**



Source: Company, Mercury Securities



## Future Plans & Business Strategies

**Expansion of manufacturing facility.** The aluminium extrusion and fabrication operations are conducted at the Ijok manufacturing facility. To enhance production capacity, construction of the Lot 903 facility is underway, located adjacent to the existing site. This facility, with an 80,000 sq. ft. built-up area, will include four aluminium extrusion lines and additional storage space. The estimated cost of RM14.5m will be funded through bank borrowings and internally generated funds, with RM11.6m already secured. Although Lot 904 was acquired in 2023, the focus remains on Lot 903 for expansion. The Lot 904 is currently being converted from agricultural to industrial land for potential future use.

**Figure 15: Timeline for the construction of Lot 903 Facility**

Milestones	Estimated Timeline
Commencement of construction	April 2024
Completion of construction	First quarter 2025
Obtaining the CCC	Second quarter 2025
Installation of two aluminium extrusion lines	Second quarter 2025 <sup>(a)</sup>
Commencement of operations	Third quarter 2025
Installation of two aluminium extrusion lines	Second quarter 2026 <sup>(a)</sup>

Source: Company, Mercury Securities

**Purchase of aluminium extrusion lines.** The Group intend to purchase four additional aluminium extrusion lines with a combined capacity of 8,580 tonnes to be installed at Lot 903 facility to increase aluminium extrusion capacity. As of July 2024, they have four existing aluminium extrusion lines with a total annual capacity of 6,705 tonnes. The four new aluminium extrusion line are expected to increase total manufacturing operating capacity from approximately 6,705 tonnes to 15,285 tonnes per annum.

**Expanding extruded aluminium products for solar PV industry.** Winstar intends to increase its focus on the fabrication of aluminium solar PV mounting structures and expand its fabrication activities to include other solar PV-related aluminium accessories such as brackets and clamps. As at July 2024, they have secured purchase orders for the fabrication of aluminium solar PV mounting structures and solar PV-related aluminium accessories amounting to RM11.1m, of which approximately RM4.8m was awarded by third parties, while Fabulous Sunview contributed the remaining portion.

## Key Risks

**Dependent on major supplier.** The Group relies heavily on Formosa for aluminium billets used in extrusion activities, contributing 49.7%, 45.3%, 43.4%, and 42.5% of total purchases in FPE20 to FPE24. While alternative sources are available, there is no guarantee of securing billets at favourable prices. Any major supply disruptions could impact production and delivery schedules.

**Operations are labor-intensive.** Over 75% of the workforce is engaged in physically demanding activities, and future labour shortages or issues with recruiting, retaining, or employing foreign workers could impact business operations and financial performance.

**Disruptions in electricity supply** at the Ijok Manufacturing Facility could delay production and delivery, as all their machinery and equipment are powered by electricity.

**Fluctuation in price of aluminium billets** driven by global factors and USD pricing. Although the Group is generally able to pass on any increase in raw material price to customers, it may impact the profitability if they cannot do so on a timely basis or absorb to maintain competitiveness.





## IPO Details

	Offer for Sale (m)	Public Issue (m)	Total (m)	(%)
<b><u>Retail Offering</u></b>				
Malaysian Public (Bumiputera)	-	7.3	7.3	2.5
Malaysian Public (Non-Bumiputera)	-	7.3	7.3	2.5
Pink Form Allocations	-	16.0	16.0	5.5
Private Placement	17.4	26.1	43.5	15.0
<b><u>Total</u></b>	17.4	56.6	74.0	25.5

Source: Company



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