

## Investment Idea

31 January 2023

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## Investment Idea / IPO Note

## Vestland Berhad

## Solid Orderbook Ahead

By Lee Chin Hui, Assistant Vice President

Vestland Berhad (Vestland, 0273) will be making its debut on Bursa Ace Market today. The company is a high quality CIDB G7 construction with strong competitive advantage in its Design & Build (D&B) capabilities, primarily in the construction of private developments, industrial buildings and government projects. The higher margin D&B segment made of 69% of its unbilled orderbook of RM947.4m as at 28 November 2022, therefore we forecast Vestland to register a 51.4% and 28% growth in net earnings for FY23 and FY24 respectively. BUY with a TP of RM0.43 based on 12x PER, average PE of its small capitalisation peers listed on Bursa Malaysia.

Vestland began its transformation from a conventional builder to a D&B contractor in 2020, bolstered by its civil engineering capabilities. Being a D&B role gives Vestland more say to the construction method and design engineering of the building work without engaging external parties hence time and cost savings. Currently Vestland has 8 ongoing D&B projects valued at RM653.6m thus this segment's revenue contribution grew substantially from 6.1% to 65.8% from FY20 to 6MFY22.

During its 11 years helmed by both Datuk Liew Foo Heen and Mr Wong Sai Kit, it has completed 35 projects with total value of RM1.1bn. Vestland possesses solid relationships with the private developers such as Armani Group and Binastra. It also managed to secure a Government project which is D&B in Beluran Police Camp, making up 25% of its on-going orderbook. Its current orderbook of RM947.4m, which is 5.5x of its FY21 revenue will provide earnings visibility for the next 3 to 4 years.

A number of projects, including the Residensi Armani Petaling in Cheras, Armani Subang SOHO in Subang Jaya and Residensi Armani Bukit Lanjan are expected to be completed in the coming months. Thus we are expecting revenue to leap in FY23. Moreover with an active tenderbook of RM2bn currently, the company is looking to finalise the securing of new projects in the coming months within the Klang Valley.

Vestland had achieved net profit of RM17.6m for the 9MFY2022 on the back of RM211.4m revenue translating to a net margin of 8%.

Of the RM50.6m IPO proceeds, 13.4% will be used for the acquisition of a new head office in Shah Alam as well as repayment of borrowings. Balance sheet is healthy with net cash position post IPO. The Company does not have formal dividend policy at this juncton.

★★★★☆ **BUY**

IPO Price: RM0.33  
Target price: RM0.43

KLCI	1,499.39
YTD FBM KLCI change	+0.3%
YTD FBM SC Index change	+9.0%

## Stock Information

Market Cap Upon Listing (RM'm)	944.3
Enlarged Share Capital (m)	311.6

## IPO Proceeds (RM'm)

Acquisition of the new head office/ refinancing of borrowings for new head office acquisition	7.5
Performance bonds and/or cash deposits for construction projects	10.8
Working Capital	33.5
Estimated listing expenses	4.3
<b>Total</b>	<b>50.6</b>

## Major Shareholders

Datuk Liew Foo Heen	63.3%
Wong Sai Kit	11.2%

## Summary Earnings Table

FY Dec (RM'm)	2021A	2022E	2023F	2024F
Revenue	171.1	281.9	394.6	473.5
EBIT	16.2	32.2	46.4	59.7
Pretax profit	14.6	30.7	46.5	59.6
Net profit	10.6	22.4	34.0	43.5
<b>Core net profit</b>	<b>10.6</b>	<b>22.4</b>	<b>34.0</b>	<b>43.5</b>
Consensus	n.a.	n.a.	n.a.	n.a.
Core EPS (sen)	n.a.	2.4	3.6	4.6
EPS growth (%)	51.7	110.9	51.4	28.0
DPS (sen)	0.0	0.0	0.0	0.0
PER (x)	26.6	12.6	8.3	6.5
BV/Share (RM)	0.05	0.07	0.15	0.19
ROE (%)	25.9	51.2	32.5	26.7
Div. Yield (%)	n.a.	n.a.	n.a.	n.a.

Sources: Prospectus, Company, Rakuten Trade Research

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COMPANY	Definition
<b>Buy</b>	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
<b>Trading Buy</b>	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
<b>Take profit</b>	The stock return previously recommended has gained by >10%
<b>Hold</b>	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
<b>Sell</b>	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
<b>SECTOR</b>	
<b>Overweight</b>	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
<b>Neutral</b>	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
<b>Underweight</b>	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

## Scoring model:

The in-house scoring model is derived from Rakuten Trade Research valuation matrix based on earnings growth, earnings visibility, business model, valuation, balance sheet, technical analysis, and shareholder value creation. Each parameter is given a specific weighting.

All buy calls are based on the research team's judgement. Investing is risky and trading is at yve own risk. We advise investors to:

- read and understand the contents of the disclosure document or any relevant agreement or contract before investing;
- understand the risks involved in relation to the product or service;
- compare and consider the fees, charges and costs involved; and
- make your own risk assessment and seek professional advice, where necessary.

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