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Analysts ascribe 40-50 sen fair value for Master Tec amid positive industry outlook

BY CHERYL TAN

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KUALA LUMPUR (Jan 17): Master Tec Group Bhd, which is listing on the ACE Market later this month, has garnered target prices of 40 sen to 50 sen by analysts covering the company, on expectations of high demand for power cables from its major customers.

Apex Securities ascribed a fair value of 50 sen for the company, on the back of 17 times financial year 2024 (FY2024) forecast price-to-earnings ratio (PER), “derived from Southern Cable Group Bhd’s average PE as it is the only comparable on the local stock exchange”.

“The premium to Master Tec’s FY2023 forecast PER is justifiable, premised on Master Tec’s superior profit margins,” said the research house, which forecasted earnings per share (EPS) of 2.7 sen for FY2023, and 2.9 sen for FY2024.

In a note, Apex Securities said ex-factory sales are expected to go up due to a rise in demand for wires and cables to RM11.21 billion in 2025 (previously RM9.61 billion in 2022), due to urbanisation leading to property development and major infrastructure projects.

“We also favour Master Tec for its cost plus pricing strategy which protects its profit margin amid fluctuations in

the commodity market,” it added.

The research house pointed to national utility giant Tenaga Nasional Bhd’s announcement last year of RM90 billion investments expected over the next six years for grid infrastructure — which is favourable for Master Tec as it is involved in manufacturing and distribution of wires and cables.

“Master Tec is expected to capture sales by supplying to various infrastructure projects accelerated under the Mid-Term Review (MTR) of the 12th Malaysia Plan (12MP) and Budget 2024,” Apex Securities added.

Separately, TA Securities ascribed a fair value of 40 sen for the stock, based on 10 times FY2025 EPS forecast of four sen per share.

TA Securities foresees estimated earnings growth, projecting increases of 39.6% to RM28.4 million for FY2023, 11.7% to RM31.7 million for FY2024 and 27.6% to RM40.5 million for FY2025.

This is underpinned by its expansion plans and the growing demand from the end-user industries, it said, adding that it expects the domestic market will remain as the main market for the group.

It also sees gross margins of 15.5% for FY2023, 15.6% for FY2024, and 16.0% for FY2025.

According to Bursa Malaysia, Master Tec’s tentative ACE Market listing date is on Jan 29.

Master Tec has priced its initial public offering (IPO) at 39 sen apiece, which translates to 20 times historical PER and 14 times forward PER — slightly lower than its peer Southern Cable Group Bhd, which has a forward PER of 16 times.

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