

DATE : 15 MAY 2017
PUBLICATION : THE EDGE
SECTION : CAPITAL
HEADLINE : CABNET TO BE FOURTH ACE MARKET LISTING THIS YEAR

Cabnet to be fourth ACE Market listing this year

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Some May 22, Cabnet Holdings Bhd, which provides building management solutions and IT services, is slated to be the fourth ACE Market debutant on Bursa Malaysia this year.

Its main customers are building contractors that have been engaged to carry out building or construction works. Cabnet provides structured cabling works and extra-low voltage (ELV) systems to these customers.

At its initial public offering price of 56 sen, the company, which is raising RM11.76 million through its public floatation, would have a market capitalisation of RM72.8 million upon its debut. The bulk of the proceeds, amounting to RM5.3 million, will go towards purchasing equipment for projects, while RM500,000 will be used as research and development expenditure. Another RM3 million is slated for repayment of bank borrowings and the remaining RM3 million allocated for listing expenses.

Johor-centric Cabnet, which is managed by two of its three co-founders — CEO Tay Hong Sing and deputy CEO Tan Boon Siang — is looking to widen its geographical presence, introduce new software to strengthen its ELV segment and offer video-monitoring solutions in collaboration with its Chinese partner.

According to the prospectus, Cabnet believes the prospects of the electrical services, ICT and construction services are expected to remain positive. It plans to further strengthen its presence in the Iskandar region and pursue opportunities outside Johor to expand its reach.

net may be looking to tap into for the local market.

Its outstanding order book stands at RM33.7 million, more than 70% of which is expected to be completed this year.

Over the last three financial years, Cabnet's revenue and net profit have been growing steadily. Revenue increased 49% from RM34.1 million in FY2014 to RM50.8 million in FY2016. Meanwhile, net profit grew 56.1% to RM6.4 million in FY2016 from RM4.1 million in FY2014.

"We expect it to maintain its growth trajec-

tory, projecting a sales CAGR (compound annual growth rate) of 6.5% year on year over the next three years. This, we assume, will be driven by its collaboration with NetPosa and plans to bid for projects within and outside Johor. Despite higher revenue projections, we expect lower reported profits in FY17 due to the expiry of its pioneer status in August 2017 and one-off listing expenses of RM3 million. Thereafter, we expect growth to resume, with higher margins from increased ELV systems and structured cabling works con-

tributions," TA Securities Research says in a note.

The research house has a 63 sen per share target price for Cabnet, based on a price-earnings ratio of 10 times and FY2018 forecast earnings per share of 5.6 sen while PublicInvest Research's 62 sen per share is pegged to 11 times PE multiple, based on its FY2018 forecast earnings per share of 5.6 sen.

Tay and Tan will continue to own 50.2% of the company's shares post-IPO, with another 20% held by NetPosa. ■

Cabnet Holdings Bhd			
IPO details			
ACE Market			
Issue price: 56 sen			
Enlarged share capital: 130 million			
Significant shareholders: Tan Boon Siang (25.1%), Tay Hong Sing (25.1%), NetPosa Technologies (HK) Ltd (20%)			
Oversubscription rate: 48.32 times			
Fair value: 63 sen (TA Securities), 62 sen (PublicInvest Research)			
Listing date: May 22			
Financial highlights			
Dec 31 (RM mil)	2014	2015	2016
Revenue	34.1	39.6	50.8
Net profit/(loss)	4.5	5.9	6.4
EPS (sen)	3.4	4.5	5

"Many of Cabnet's major projects were completed in Johor and hence a substantial portion of the group's revenue was derived from Johor as well. Besides pursuing opportunities in the residential property and infrastructure segments, the group intends to leverage its track record and market reputation to further tap into the growth in the commercial property and industrial property segments and other segments [such as public facilities]," PublicInvest Research writes in a note.

Cabnet also plans to bid for more projects like data centres and seaports as well as projects in the oil and gas sector.

The company intends to offer video-monitoring solutions through its partnership with NetPosa Technologies (HK) Ltd (NetPosa) whereby it will assist and support NetPosa in customising its products for the Malaysian market.

NetPosa Technologies Ltd, the holding company of NetPosa, is a company that provides video-processing technologies, video-monitoring solutions and high-quality video storage products.

According to the prospectus, NetPosa's video monitoring solutions also give users analytical capabilities for the security systems installed in multiple locations. These are targeted at townships, districts and at the state level, an area Cab-