

Kumpulan Perangsang Selangor buying CPI Penang for RM250m

By Lydia Nathan | 15 February 2018



CEO says the acquisition is aligned with the group's vision to grow beyond borders

Kumpulan Perangsang Selangor Bhd (KPS) marked its entry into a new manufacturing sub-sector by announcing the acquisition of a fully integrated electronic manufacturing services player, CPI Penang Sdn Bhd, for RM250 million.

In a filing to Bursa Malaysia, the Selangor-state controlled group noted that it entered into a conditional share sale agreement to buy CPI from HK Resources Sdn Bhd, TCS Resources Sdn Bhd and its CEO Lim Lai Chin, with the purchase consideration to be fully satisfied in cash sourced from internal funds and borrowings.

The purchase price values CPI at an enterprise value of RM213.9 million to earnings before interest, tax, depreciation and amortisation ratio of RM32.7 million (or 6.5 times) its financial year ended Sept 30, 2016.

KPS CEO Ahmad Fariz Hassan said CPI focuses on producing high-value products and its business strategy has yielded higher margins, while withstanding the economic cycles with a diversified clientele.

“The current shareholders have built CPI to the undiscovered gem it is today, complete with a team of experienced technical experts, and we are gratified to be entrusted with the future of the company and its employees, and their commitment to work closely with us to ensure a smooth transition with the change of ownership.

“Being a high-end manufacturing company with a firm footprint in the international market, this acquisition is aligned with our group's vision and aspiration to grow beyond borders, in our

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aim to generate long-term, sustainable growth in returns for our shareholders,” he said in a release yesterday.

Moving forward, Ahmad Fariz said they will commit to maintain the quality of the products delivered to customers.

“A key driver to CPI’s historical growth is the continuous exploration and investment in resources for capacity expansion and improvement in operational effectiveness and efficiencies of CPI.

“It is a culture that we support, and we look forward to working with the management team on the ongoing efforts to serve the customers better,” he said.

CPI currently operates out of the Bayan Lepas Industrial Zone in Penang, with clientele from over 90 corporations from the automotive, medical, telecommunications as well as industrial and consumers industries, the filing noted.

CPI offers from end-to-end plastic injection moulding services encompassing product design or conceptualisation, tool fabrication and production, to complete box-build services.

The deal comes with a profit guarantee of not less than RM25 million for CPI’s financial year 2018 (FY18) and a net profit of not less than RM26 million in FY19.

Over 50% of CPI’s annual revenue is from exports, while local sales are primarily from Malaysia-based subsidiaries of multinational groups.

The deal is the second major deal for KPS which took over Century Bond Bhd, a packaging products business, last year.

KPS is a diversified group with assets involved in manufacturing, trading, licensing, infrastructure and utility, oil and gas, as well as telecommunications.

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