

Kumpulan Perangsang Selangor ventures into EMS with RM250m buy

14 Feb 2018

KUALA LUMPUR (Feb 14): Diversified group **Kumpulan Perangsang Selangor Bhd** (KPS) is entering the electronic manufacturing services (EMS) segment, following its acquisition of a Penang-based fully-integrated EMS player, CPI (Penang) Sdn Bhd, for RM250 million.

KPS inked a conditional share sale agreement (SSA) for the 100% equity purchase from HK Resources Sdn Bhd and TCS Resources Sdn Bhd.

In a statement, KPS said the price tag — to be fully satisfied in cash from internal funds and bank borrowings — values CPI at an enterprise value to earnings before interest, tax, depreciation and amortisation ratio of 6.5 times.

The acquisition comes with a profit guarantee of no less than RM25 million for the financial year 2018 (FY18), and no less than RM26 million for FY19.

CPI recorded a year-on-year profit after tax (PAT) growth of 37% in FY15 to RM16.28 million, from RM10.21 million, as revenue rose 16% to RM115.79 million from RM99.47 million. In FY16, PAT again strengthened 24% y-o-y to RM21.36 million from RM16.28 million, as revenue climbed 17% to RM135.36 million from RM115.79 million. Over 50% of its revenue comes from exports.

CPI, formed in 1990, provides complete EMS solution from end-to-end plastic injection moulding services, encompassing product design or conceptualisation, as well as tool fabrication and production, to complete box-build services.

KPS chief executive officer Ahmad Fariz Hassan said the group was keen on CPI because of its focus on high precision and high value products, adding the acquisition is aligned with KPS' aspiration to grow beyond its borders to generate long-term, sustainable growth in returns to KPS shareholders.

He also noted CPI's business strategy has consistently yielded higher margins and is more resilient to swings in economic cycles as it caters to a diversified clientele.

"The plastic injection moulding segment makes up the lion's share of CPI's revenue at present, but we foresee the box-build segment realising its tremendous potential to contribute a bigger portion to CPI's top line, and we would like to be an integral part of the team that accelerates and propels CPI onto the next stage of rapid expansion," Ahmad Fariz added.

CPI, which has about 90 companies globally with customers from the automotive, medical, telecommunications, and industrial and consumers industries, intends to expand its EMS capacity in the near future.

KPS assured CPI's senior management team, including the chief executive officer who is also an indirect shareholder of the company, would be retained.

It expects the proposed acquisition to be completed before the end of the first quarter of 2018.

KPS shares rose one sen or 0.78% to close at RM1.30 today, for a market capitalisation of RM648.7 million.

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