



14 NOV, 2022

## ECA Integrated has technical know-how, growth prospects

The Malaysian Reserve, Malaysia



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ECA INTEGRATED SOLUTION BHD				
	FY21	FY22F	FY23F	FY24F
REVENUE (RM mil)	20.5	26.7	30.7	35.3
PAT (RM mil)	8.2	7.3	8.7	10.2
EPS (sen)	1.4	1.3	1.5	1.8
PE (x)	12.0	13.5	11.3	9.6

► **Recommendation:**  
**Subscribe**  
**Fair Value:** RM0.29  
 by Mercury Securities  
 Sdn Bhd (Nov 9)

WE HAVE a 'Subscribe' recommendation on ECA Integrated Solution Bhd with a target price of RM0.51 based on FY23F EPS of 1.5 sen and peers average PE of 19.6x.

We like the stock for its strong technical know-how, and attractive growth prospects on the back of a growing automated manufacturing solutions industry in Malaysia, expected to grow at a two-year CAGR of 19.3% from 2022 to 2024 as forecasted by Providence. The target price represents a potential return of 70.6% over the IPO price.

An experienced solution provider with a diversified customer base. ECA is an automated manufacturing solutions provider, capable of designing and customising production systems to meet its customers' operational requirements in terms of production capacities and product specifications. By leveraging on its high technical know-how, the company is able to design, develop and commission various forms of integrated production systems to meet various manufacturing needs and requirements, serving various industries which includes the semiconductor, automotive, solar, telecommunication, and digital display tags industry. The company's solutions are designed and developed after establishing an in-depth understanding of its customers' requirements which involves the collaboration with both parties on product conceptualisation and design process, quality assurance, and technical and operational requirements.

The company also provides after sales technical support

and spare parts replacement services to customers for maintenance or system reconfiguration purposes, which contributes 5.5% to total revenue of FPE 2022. As at LPD, the company has a RM14.7m unbilled purchase orders where approximately RM5.7m and RM9.0m is expected to be fully recognised by FY22 and FY23.

**Output expansion.** The company plans to utilise RM7.7m from its IPO proceeds within 24 months to expand its output and enhance its capability via acquisition of new machineries. The new machineries comprise of two gantry machining centre, two CNC vertical machine and four mill tap centre. Acquisition of new machineries will enable ECA to increase the customisability of its solutions to suit different needs of customers, handle larger volume of fabrication works, and achieve better accuracy and productivity in its development and design. The company also plans to expand into smart factory solutions going forward as manufacturers shift towards full automation under industry 4.0.

The company is spearheaded by CEO Ooi Chin Siew who has more than 30 years of experience in the machine design and engineering related field. With the leadership of Ooi, the company was able to achieve a PAT two-year CAGR of 144.4% from FY19 to FY21.

**Risk factors.** (1) Customer concentration risk. (2) Skilled labour shortages.

**Company Profile.** ECA Integrated is an investment holding company. Through its sole subsidiary, ECA Solutions, the company provides automated manufacturing solutions and are principally engaged in the provision of integrated production systems and standalone automated equipment.



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### SUMMARIES

ECA INTEGRATED SOLUTION BHD FY21 FY22F FY23F FY24F REVENUE ( RM m i l ) 20.5 26.7 30.7 35.3 PAT(RM mil) 8.2  
 7.3 8.7 10.2 EPS (sen) 1.4 1.3 1.5 1.8 PE(x) 12.0 • 13.5 11.3 9.6

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