



**TA SECURITIES BHD**

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Malaysia Securities Exchange Berhad

24 May 2004

Sector : TECHNOLOGY

Bloomberg : MEGB MK

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**RM0.35 (+66.7%)  
Fair Value**

KLCI 791.53

**SHARE INFO**

Stock Code	MTRONIC
Listing	Mesdaq
Enlarged Share Cap (m)	283.5
Market Cap @ RM0.35 (RMm)	99.2
Par Value (RM)	0.10
Public Issue	71.0
Issue Price (RM)	0.21
Oversubscription (x)	97.55
Estimated Free Float (%)	25.00
Listing Date	24-May-04
Major Shareholders (%)	
Metronic Corporation Sdn Bhd	- 74.96

**RATIO & ANALYSIS**

NTA/shr (Post IPO) (RM)	0.12
Price to NTA (x)	2.91
ROE - '03 (%)	9.6
- '04 (%)	20.6
ROA - '03 (%)	3.2
- '04 (%)	6.8
Net Gearing (x)	net cash

**UTILISATION OF IPO PROCEEDS**

	(RM m)
Repayment of bank borrowings	5.00
Capital expenditure	2.60
Listing expenses	1.20
R&D expenditure	3.00
Working capital	3.11
<b>Total</b>	<b>14.91</b>

# Metronic Global Berhad

**World Class e-Devices and System Integrator Service Provider**

**Metronic Global Berhad (MGB) is principally involved in the design, supply, installation and maintenance of Intelligent Building Management System (IBMS), Integrated Security Management System (ISMS), Java Based Control Monitoring Software (JBCM) and E-project Management of Mechanical & Electrical services. The group's current business is mainly focused on local market. We value the stock at 13.3x FY04 PER, which translates into a fair value of RM0.35 per share, implying a 66.7% potential upside from the issue price of RM0.21.**

### Company Background

Established in 1984, MGB is a world class e-Devices and System Integrator Service Provider of IBMS and ISMS solutions. The company also has expertise in JBCM and E-project management of mechanical and electrical services. In addition, MGB is also the agent and distributor in Malaysia for the world's top building automation and security products. As a homegrown company, MGB has a wide customer base in both government and private sectors.

### Major Customers

MGB has customers spanning different industries such as government and private sectors in Malaysia. Main users are government office buildings, shopping complexes, airports, oil refiners, manufacturing plants, hospitality and retail, universities and educational facilities and hospitals and health care.

### Sales Secured Until 2005

Gross order book of RM373m (RM190m unrecognised) should secure MGB's revenue until 2005. To date, the company has completed more than 300 major projects valued in excess of RM700m. We believe the company should be able to clinch additional contracts given its more than 17 years proven track record in IBMS, ISMS and software integration of multiple manufacturing systems and intelligent systems.

**EARNINGS SUMMARY (RMm)**

YE 31Dec	2000	2001	2002	2003	2004F
Revenue	82.4	50.3	130.0	132.0	154.5
Pretax Profit	9.5	6.6	8.5	7.3	10.4
Net Profit	6.9	4.9	7.3	3.5	7.5
EPS (sen)	2.4	1.7	2.6	1.2	2.6
EPS Growth (%)	-7.4	-28.2	48.6	-52.6	114.7
PER @ RM0.35	14.4	20.1	13.5	28.6	13.3
DPS (%)	-	-	-	-	5.0
Div. Yield (%)	-	-	-	-	1.4

EPS based on 283.5m enlarged shares

NEW LISTING

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E-✉



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**NOTABLE PROJECTS COMPLETED FROM 1999 TO 2003**

<b>Project</b>	<b>Contract Value (RMm)</b>
Y2K Contingency Plan for Hospital	26.0
Putrajaya Projects	53.7
Berjaya Times Square, Kuala Lumpur	13.0
Computer Equipment Supply for Schools in Sabah, Perlis and Kuala Lumpur	78.0
Menara Maybank, Kuala Lumpur	3.6

**ON-GOING PROJECTS (WITH CONTRACT VALUES EXCEEDING RM10M)**

<b>Project</b>	<b>Contract Value (RMm)</b>	<b>Expected Year of Completion</b>	<b>% of Completion</b>
Pandan Hospital, Johor Bahru	96.0	2004	87
Alor Setar Hospital, Kedah	86.5	2005	39
Tunnel Management	13.1	2004	38
ASTR, TUDM Subang	54.2	2005	37
4G3 & 4G2, Precinct 4, Putrajaya	11.3	2005	30
4G3 & 4G4, Precinct 4, Putrajaya	11.8	2005	19
2G3 & 2G4, Putrajaya	14.0	2005	0

**Key Competitive Strengths**

The company's strength lies in customisation of the Java based Ni@gara Framework designed for use on web-based applications by Tridium Inc, US. This software is a universal control and monitoring software for accessing, automating and controlling smart devices over the internet. In addition, this software also allows the building industry to integrate all types of embedded devices into a single, truly interoperable system, regardless of any protocol to control and monitor sites over the internet and to collect and analyse data.

**Healthy Balance Sheet**

Most of the IPO proceeds of RM14.9m will be used to repay bank borrowings. MGB's borrowings were at RM9.6m as at 31 December 2003. After the repayment of RM5.0m bank borrowings, its balance sheet is healthy with a net cash position of RM10.6m

**Recurrent Income Should Grow Steadily**

A major characteristic of building automation system (BAS) service is the possibility of securing recurrent business from previous customers through system upgrades, maintenance and expansion after expiry of the warranty period, which ranges from 1 to 2 years. Given that MGB has a long list of customers, it is well positioned to benefit from recurrent business.

**Competitive Landscape**

In depth knowledge and experience in networking are not easy to develop and accumulate. This is because BAS is project based, with a project lasting for a couple months to up to a year or more. Therefore, it takes a long time to develop reliable and efficient project tools with hardware and software, and even longer to build up a group of BAS staff proficient in particular industrial sectors. This serves to fragment BAS into distinctive areas of business opportunities. Therefore, it is advantageous for a BAS company to focus on a particular area in order to increase its competitive edge. Given that MGB's established track record of more than 17 years in the area of IBMS, ISMS and software integration of multiple manufacturing systems and intelligent systems, we believe MGB is a strong competitor in the market.

### **Market Share**

The combined IBMS and ISMS market is estimated at RM182m in 2002. According to Infocredit D&B (Malaysia) Sdn Bhd, MGB market share is estimated at 21% in Malaysia despite competing against world's leading IBMS and ISMS multinational companies such as Honeywell Engineering Sdn Bhd, Johnson Controls Sdn Bhd and Siemens Building Technologies Sdn Bhd.

#### ESTIMATED MARKET COVERAGE AND SHARE

<b>Company</b>	<b>Market Share (%)</b>
Metronic Global Berhad	21
Johnson Controls Sdn Bhd	32
Honeywell Engineering Sdn Bhd	31
Siemens Building Technologies Sdn Bhd	7
Others	9
<b>Total</b>	<b>100</b>

*Source: Prospectus*


### **Future Plans**

To expand its business, MGB plans to broaden its geographical coverage in China, Thailand and other countries through acquisition of companies and appoint more distribution agents with the existing technology. This is a logical move as MGB will increase its business opportunities by exposing itself to potential customers.

### **Improve Effectiveness And Efficiencies**

Customer satisfaction is critical for both future business opportunities and lasting business relationships. To better serve its customer, MGB plans to implement a unique business process management tool namely Metronic Digital Nervous System (MDNS) to support its local and international business and adherence to industry-assessed, stringent technology development discipline.

### **Fair Value At RM0.35**

Companies with scale and product mix similar to MGB and listed on the Bursa Malaysia are rare. The only close comparison is AWC Facility Solutions Berhad which is trading at FY04E PER of 15.6x. Having considered difference in scale and product lines and also relatively small market capitalisation of MGB, we are valuing the stock at RM0.35 based on 13.3x FY04E PER, implying a 66.7% potential upside from the issue price of RM0.21. This valuation is a 15% discount to the AWC FY04E PER of 15.6x. 

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for **TA SECURITIES BHD**,  
Yaw Chun Soon, Executive Director - Operations