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Investment Idea

Sedania Innovator Bhd

Exciting days ahead

By Rakuten Trade Research

Sedania Innovator Bhd (SEDANIA) is in for some exciting times via its recent venture into the Health Technology (HealthTech) sector. Its Green Technology (GreenTech) segment is set to see resumption of project deployment and its equity interest in Esports is set to bring the group into spotlight. All in all, SEDANIA is offering a unique investment proposition. BUY with target price of RM1.10 based on 23x FY22 PER as per the average valuation between healthcare players and FBM Small Cap Index.

SEDANIA's venture into HealthTech via the 51% acquisition of Offspring Inc. Sdn Bhd (Offspring) in Jan 2021 and is set to become a core earnings contributor moving forward. Offspring is a HealthTech company focusing on premium early childcare solutions with products ranging from baby diapers, wet wipes and household products being developed and manufactured in Australia. Currently, the organic-based products player has presence in 12 countries and is looking to expand to over 20 countries (eg: Spain, Finland, Korea, Thailand) by this year with huge potential market size of over RM300m/year. In terms of market positioning, Offspring sets its sight at millennial parents (24-35 years old) and ~60% of sales are from online with more online sales channels to be added later. HealthTech will continue to be the growth engine with new markets such as China and Middle East leveraging on Jakel Group's distribution network (Note: Jakel Group's managing director is a substantial shareholder).

As for GreenTech segment, SEDANIA has recently secured an additional 24 sites from Telekom Malaysia (project value of RM30m-RM45m) for energy performance contract (EPC). We believe SEDANIA is well-positioned to ride on the booming ESG (Environmental, Social and Governance) trend as corporates are adding emphasis on energy efficiency and reducing carbon emission. Revenue model is based on recurring basis and SEDANIA is in discussion to secure more projects, with estimated value of RM95m-RM125m, including a potential 600 sites EPC project with Jakel Group.

SEDANIA's 36.2% equity interest in Esports Pte. Ltd, a provider of global Top 5 Esports tournament and platform – Esports Players League is gaining traction within global gamers rapidly. The group intends to expand footprint to 30 countries from 16 countries presently taking advantage of this scalable business model and targeting to build the business into Unicorn status eventually. SEDANIA also offers Islamic FinTech solutions to over 71 financial institutions in Malaysia. Potential upcoming project with Jakel Group includes Buy-Now-Pay-Later eWallet services to Jakel's 7m customer base. Moving forward, we expect SEDANIA to achieve record year with projected net profit of RM11.7m in FY21 and RM16.5m in FY22, mainly contributed by HealthTech segment.

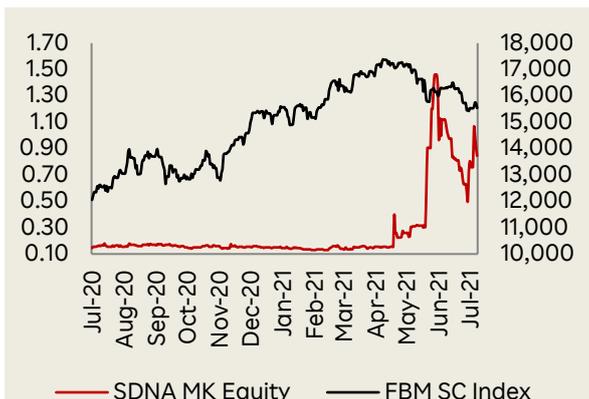
Technically Speaking

Resistance level	RM1.20
Support level	RM0.71



BUY

Price: RM0.84
Target price: RM1.10



KLCI	1,508.7
YTD FBM KLCI change	-7.3%
YTD FBM SC Index change	-1.6%
YTD stock price change	+479.3%

Stock Information

Market Cap (RM'm)	291.6
Issued Shares (m)	347.2
52-week range (H)	1.77
52-week range (L)	0.125

Major Shareholders

Sedania Corporation Sdn Bhd	31.1%
Faroz Bin Mohamed Jakel	13.1%

Summary Earnings Table

FY Dec (RM'm)	2019A	2020A	2021F	2022F
Revenue	15.5	8.3	47.9	62.2
EBIT	3.7	-2.8	13.9	19.4
Pretax profit	2.9	-11.6	13.3	18.8
Net profit	2.5	-12.0	11.7	16.5
Core Net Profit	2.8	-12.0	11.7	16.5
Consensus	-	-	-	-
EPS (sen)	0.8	-3.5	3.4	4.8
EPS growth (%)	-	-	-	41.2%
DPS (sen)	-	-	-	-
PER (x)	105.2	-	24.9	17.6
BV/Share (RM)	0.1	0.1	0.1	0.2
ROE (%)	8.8%	-43.4%	25.9%	23.2%
Div. Yield (%)	-	-	-	-

Sources: Company, Rakuten Trade Research



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COMPANY	Definition
Buy	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
Trading Buy	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
Take profit	The stock return previously recommended has gained by >10%
Hold	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
Sell	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
SECTOR	
Overweight	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Neutral	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Underweight	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

Scoring model:

The in-house scoring model is derived from Rakuten Trade Research valuation matrix based on earnings growth, earnings visibility, business model, valuation, balance sheet, technical analysis, and shareholder value creation. Each parameter is given a specific weighting.

All buy calls are based on the research team's judgement. Investing is risky and trading is at your own risk. We advise investors to:

- read and understand the contents of the disclosure document or any relevant agreement or contract before investing;
- understand the risks involved in relation to the product or service;
- compare and consider the fees, charges and costs involved; and
- make your own risk assessment and seek professional advice, where necessary.

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