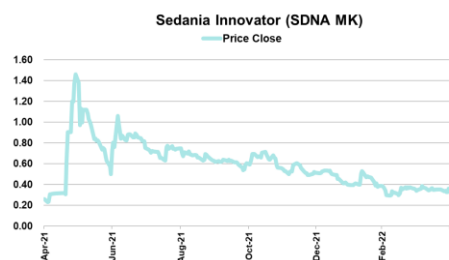


Innovating Sustainability Solutions



Source: Bloomberg

Stock Profile

Bloomberg Ticker	SDNA MK
Avg Turnover (MYR/USD)	5.41m/1.31m
Net Gearing (%)	Net Cash
Market Cap (MYRm)	125.0
Beta (x)	0.0
BVPS (MYR)	0.12
52-wk Price low/high (MYR)	0.285 - 1.77
Free float (%)	42

Major Shareholders (%)

Sedania Corp. Sdn. Bhd.	31.1
Faroz Bin Mohamed Jakel	13.4
Nasri bin Nasrun	4.0

Share Performance (%)

	1m	3m	6m	12m
Absolute	35.6	(2.0)	(26.7)	59.7
Relative	38.6	(2.4)	(28.9)	61.5

Lee Meng Hornng +603 9280 8866

lee.meng.hornng@rhbgroup.com

Investment Merits

- An emerging sustainability energy solution provider;
- Beneficiary of longer-term trend of sustainable development;
- Venture into the high growth health sustainability market.

Company Profile

Sedania Innovator Berhad is an innovation house with multiple portfolios, providing services in Malaysia and globally. Its main portfolio, Green Technology (GreenTech) provides energy efficiency and energy saving technology solutions for organisations to reduce carbon emissions. Recently, Sedania Innovator tapped into Health Technology (HealthTech), a provision of consumer products specialising in healthcare, personal care, household as well as baby and childcare products. Other services include Financial Technology (FinTech) and Telco Technology (TelcoTech).

Highlights

A win-win sustainable solutions to blue chip clientele. The group's established track record is evidenced as they've managed to score contracts from big players such as Maybank, TM, Petronas and AmBank. The achievement is attributable to its sustainability solutions that is based on a zero capex, profit-sharing model called the Energy Performance Contract (EPC). With the unique proposition to customers, this business segment has gained a lot of tractions of the past years. Recently, Sedania secured a six-year contract from Pos Malaysia, an entry into the supply chain sector with Phase 1 of the project is slated to complete in June 2022.

Growing revenue on the back of ESG conscious world. With an ever growing concern over climate change, we believe Sedania will be able to capture revenue growth as the group's contract framework helps corporations pursue their environmental, social and governance (ESG) objectives and significantly reduce their energy consumption. The Group is also set to achieve growing recurring income as EPC contracts range between 5-10 years. Each project's profit margin is estimated at 40% with an ROI of 15-20%. Besides, the business can also potentially yield carbon credit capital, which can be monetized the future.

Going into sustainable healthcare products. Sedania Innovator's acquisition of a 51% stake in Offspring Inc Sdn Bhd was a move to diversify into consumer products. The acquisition, completed in Jan 2021, has become a major contributor to the group's revenue (55.1%), profitability (39.1% PBT) as well as cash flow. As one of the leading green baby products with that are made from organics and sustainable source, we see growing potential among the consumers with increasing awareness on eco-friendly and quality sustainable products. Offspring currently has presence in 21 countries in five regions, including Asia, America, Europe, Africa and the Middle East. Having achieved a three years revenue CAGR of 138%, we believe it will continue the strong

growth trajectory with strategic plan to increase its market share via online channel and capitalise on growth opportunities around the Gulf.

A FinTech breakout. Sedania will benefit from the progressing digital lifestyles considering the shift in digital behaviour towards banking habits, coupled with strategic alliances forged with several FinTech industry leaders through its subsidiary, Sedania As Salam Capital Sdn Bhd (SASC). Recently, two of its main clients in the Fintech segment were awarded with the digital banking license from Bank Negara Malaysia and there could be more potential collaboration or business opportunity in these regards.

The group has also ventured into the esports space in 2019 when it founded Esports Players League (ESPL) through its 36.21% investment stake in Esports Pte Ltd. ESPL has organised tournaments for the world's top game publishers.

Company Report Card

Results highlight. Sedania recorded an all-time high revenue of MYR49.1m since its listing with a 65.1% YoY increase, mainly due to the Group's HealthTech endeavor. Moreover, the GreenTech segment's revenue rose 725.8% from MYR1.9m in FY20 to MYR15.65m in FY21 as Sedania was able to resume onsite activities and secure more EPC projects. Consequently, the Group recuperated MYR8.5m in earnings from a loss of MYR10.2m the previous year.

Balance sheet, cash flow and dividends. The group has a healthy balance sheet with a net cash of MYR8.7m as at FY21, supportive of future expansion. However, due to Sedania's business model, operating cash flow has been negative with FY19-21 operating cashflow at (MYR2.2-0.2m). While it does not have a dividend policy, Sedania has been paying 1 sen per share in FY15-17.

Management. Datuk Azrin Mohd Noor is the founder of the company, and is currently the Managing Director. Datuk Syafiroz Mohd Noor, the Executive Director, first joined Sedania Corporation Sdn. Bhd. ("SCSB") in 2005, where he served as the General Manager. Mr. Daniel Bernd Ruppert was appointed Group CEO of the Company in 2018. Prior to joining the Company, Mr. Daniel has over 20 years of experience working across global financial institutions in the UK.

Investment Case

We like the stock for its unique exposure to the sustainability segment, a niche in the Malaysian market, which is poised to gain traction on the imminent concern over carbon emissions and ESG regulations. We are also upbeat on Sedania's venture into the health sustainability division. This undertaking will contribute to the group's FY22-23 top-line as well as bottom line growth. Our SOP-derived fair value range of MYR0.61-0.75 implies 14-17x FY23F P/E with its GreenTech and HealthTech divisions pegged to peers P/E range of 12x-15x and 17-20x respectively. We think our valuation is justifiable, premised on the commencement of major EPC projects as well as Sedania's recent ventures.

Key risks include its reliance on contributions from key customers and the group's dependency on the performance of its strategic partners.

Profit & Loss	Dec-19	Dec-20	Dec-21
Total turnover (MYRm)	15	30	49
Reported net profit (MYRm)	2	(10)	9
Recurring net profit (MYRm)	1	(3)	9
Recurring net profit growth (%)	164.8	(318.0)	422.6
Recurring EPS (MYR)	0.00	(0.01)	0.02
DPS (MYR)	0.00	0.00	0.00
Dividend Yield (%)	0.0	0.0	0.0
Recurring P/E (x)	73.8	nm	14.7
Return on average equity (%)	8.6	(42.4)	31.1
P/B (x)	2.8	6.1	3.0
P/CF (x)	(39.9)	(27.4)	(644.3)

Source: Company data, RHB

Balance Sheet (MYRm)	Dec-19	Dec-20	Dec-21
Total current assets	24	29	32
Total assets	35	40	52
Total current liabilities	3	19	6
Total non-current liabilities	1	3	4
Total liabilities	4	22	10
Shareholder's equity	32	17	38
Minority interest	0	1	3
Other equity	0	0	0
Total liabilities & equity	35	40	52
Total debt	1	3	5
Net debt	(10)	(11)	(9)

Source: Company data, RHB

Cash Flow (MYRm)	Dec-19	Dec-20	Dec-21
Cash flow from operations	(2)	(4)	(0)
Cash flow from investing activities	(2)	(3)	(14)
Cash flow from financing activities	2	8	14
Cash at beginning of period	13	12	13
Net change in cash	(2)	1	(0)
Ending balance cash	11	13	13

Source: Company data, RHB