

Pentamaster International (1665 HK)

The operating company in the Pentamaster group at 6.1x P/E



ASIAN
CENTURY
STOCKS

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Summary



1. Pentamaster International (1665 HK) is the operating company of Malaysia's Pentamaster Corporation (PENT MK) and owns virtually all income-producing assets in the group. Pentamaster is one of Malaysia's largest manufacturer of automated test equipment (ATE) for the semiconductor and electronics industries. It also builds customized factory automation systems.
2. The company was founded by Malaysian engineer Chuah Choon Bin, who is now 62 years old and remains the Executive Chairman. He started his career at Intel and National Semiconductor, then jumped ship in the early 1990s, becoming a supplier to them. It benefitted from the weak Ringgit in the aftermath of the Asian Financial Crisis, and has since then slowly moved up the value chain. The share price of Kuala Lumpur-listed parent Pentamaster Corporation has risen 20x since its listing in 2003.
3. In 2018, Pentamaster Corporation listed its operating company in Hong Kong and called it Pentamaster International, with the ticker 1665 HK. The stated rationale was to show commitment to mainland China to grow in that part of the world. Since the listing, Pentamaster International grew its revenues at a +11% CAGR.
4. But there are signs that growth might be accelerating. Pentamaster is reporting "strong growth" in its medical manufacturing automation segment, and also sees potential in machines for testing of automotive-related products. Pentamaster's contract liabilities – representing deposits on new sales orders and hence a leading indicator of growth – rose +37% in 2023. To meet higher customer demand, Pentamaster is building a third factory that will quadruple Pentamaster's total factory floor area from 1Q2025.
5. Pentamaster International trades at a 62% discount to its holdco, even though their financials are virtually the same. On my conservative estimates, I'm foreseeing a 2026e P/E ratio of 6.1x on top of a 3.1% dividend yield with a fortress balance sheet.
6. Risks include the cyclicity of the semiconductor industry, talent shortages and currency movements. A significant strengthening of the Malaysian Ringgit would hurt Pentamaster's competitiveness. But right now, the opposite is happening, benefitting Pentamaster.

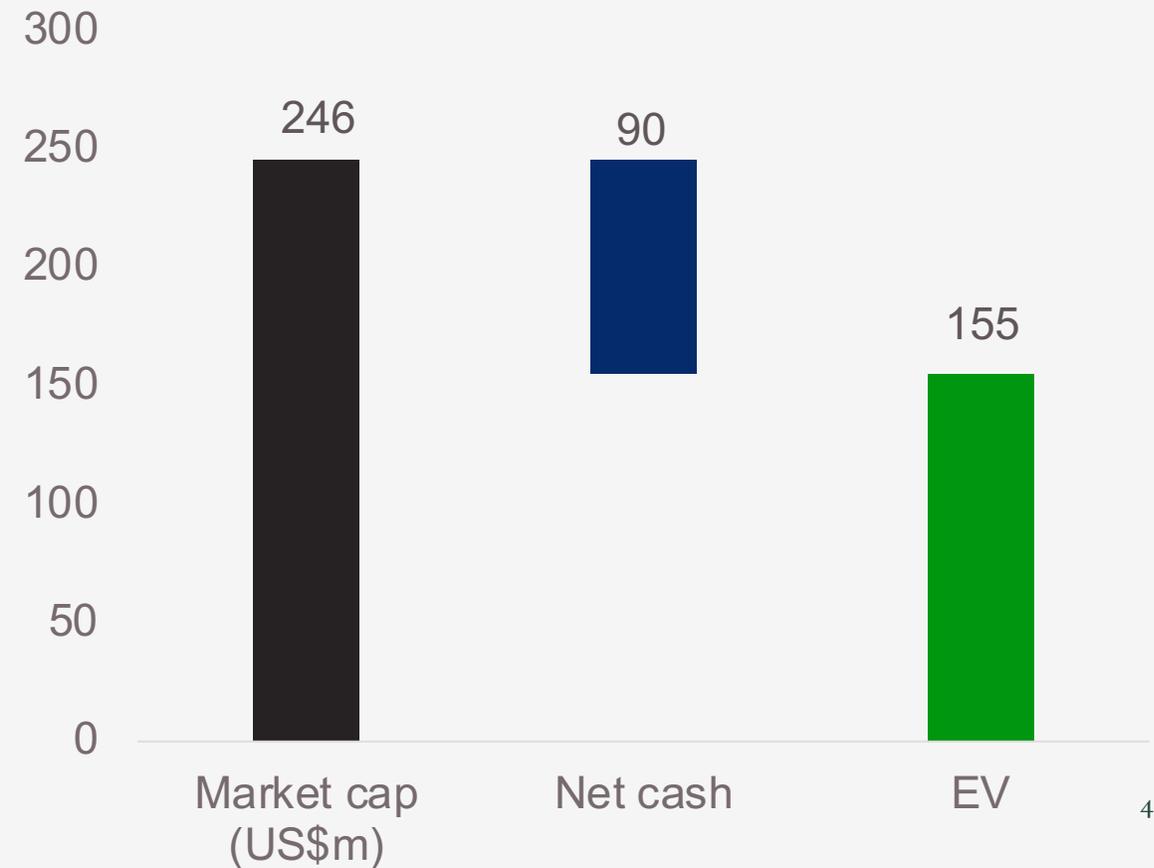
Capitalisation



- Share price: HK\$0.80
- Shares outstanding: 2,400 million
- Market cap: US\$246 million
- Net cash: US\$90 million
- Enterprise value: US\$155 million

- Average daily trading volume: US\$47,000

US\$ million



* HK\$ = Hong Kong Dollar. HK\$/US\$ = 7.82

Business overview



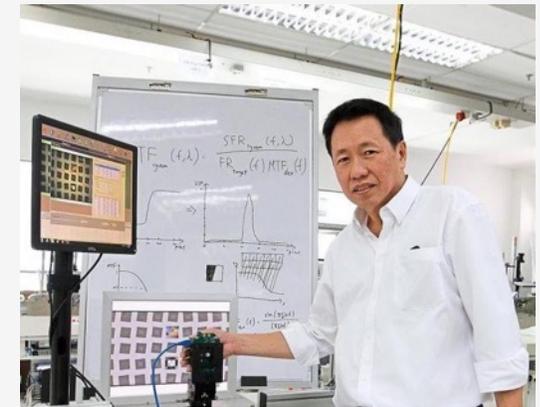
- Pentamaster International (1665 HK) is the operating company of parent Pentamaster Corporation (PENT MK) and provides automated testing equipment and factory automation products for a variety of customers.
- Automated test equipment represent 2/3 of profits. The remainder comes from factory automation products.
- Its end markets include the the trailing-edge semiconductor sector (14nm+), telecommunications, automotive and consumer electronics sectors.
- Pentamaster serves its customer at locations throughout the world, but centered primarily around its Malaysian and Chinese factories.



Pentamaster's history



- The company's predecessor Penta Electronics (an abbreviation of "Penang Technology Automation") was formed by engineer Chuah Choon Bin in **1991**. He had been working for Intel and National Semiconductor prior to starting the company. His first project was to help his two former employers with automation projects. The company then entered into the automated system and equipment business in **1995**.
- Growth took off after the devaluation of the Malaysian Ringgit in **1997** and revenues skyrocketed from customers wanting to take advantage of Malaysia's low labor costs.
- Parent Pentamaster Corporation with ticker PENT MK on Bursa Malaysia in **2003** and the stock price rose over 20x in the subsequent 20 years.
- In **2005**, it built a 130,000 square feet factory and started developing test and measurement systems for the electronics industry.
- The year thereafter, in **2006**, Pentamaster entered into a joint venture with Switzerland's Komax for the manufacturing of automatic assembly systems for the pharma, electromechanical and computer industries.
- In **2010**, it entered into the Glove Reprocessing Unit for healthcare customers to test rubber gloves.
- It developed the i-ARMS intelligent automated robotic manufacturing system in **2015**.
- In **2018**, Pentamaster Corporation listed its main operating company as Pentamaster International on the Hong Kong Stock Exchange with ticker 1665 HK. The rationale for the listing was Pentamaster believing that to grow in China, it needed physical presence. The same year, it entered into warehouse logistics through the I-Hub platform.
- Pentamaster MediQ was set up in **2020** to produce single-use medical devices for the healthcare industry.



Pentamaster continues to be run by founder Chuah Choon Bin

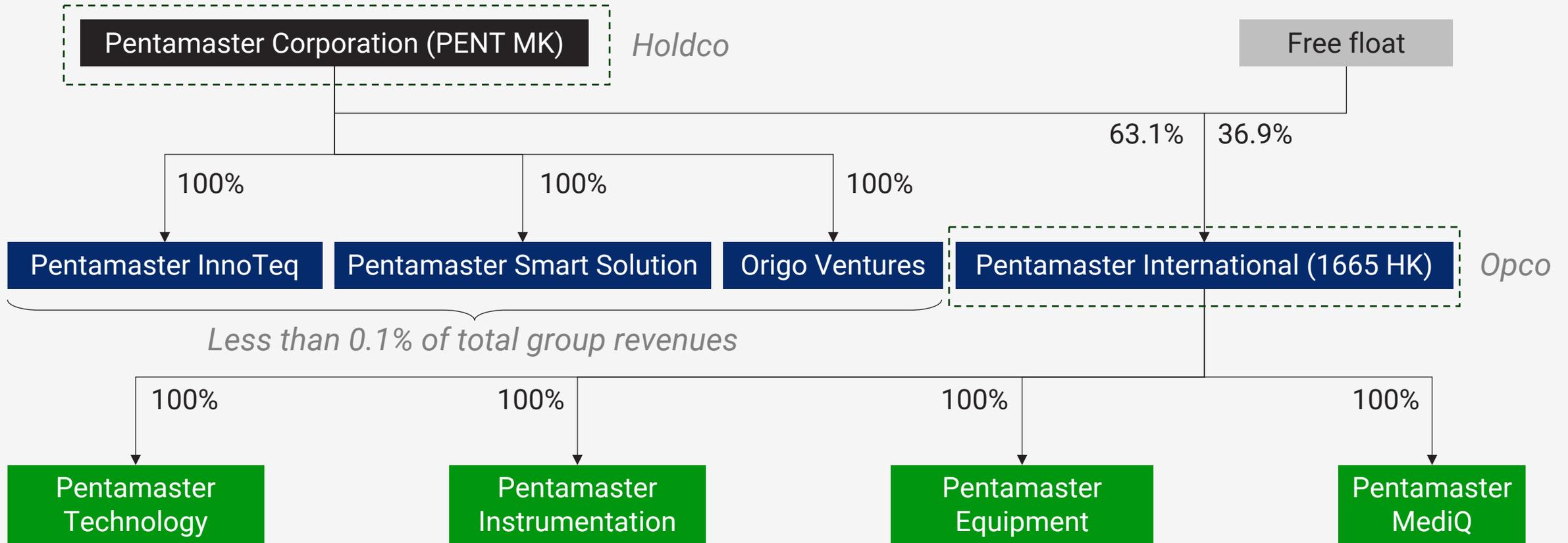


- The company continues to be run by its founder Chuah Choon Bin, who is currently 62 years old and holds the title of Executive Chairman. He's also the Executive Chairman of Pentamaster Corporation.
- He controls the group through his 19.74% stake in Pentamaster Corporation. He also owns 1.1% directly in Pentamaster International.
- Prior to founding the predecessor Penta Electronics in 1991, he worked as an automation engineer at National Semiconductor and Intel Technology.
- Chuah graduated with a bachelor's degree in engineering in 1985 and a master's degree in electrical engineering in 1989, both from the University of Auckland in New Zealand.



Chuah Choon Bin

Pentamaster International is the operating company within the group, contributing more than 100% of the HoldCo's profits



HoldCo “Pentamaster Corporation” & OpCo “Pentamaster International” are to most extents & purposes the same company



Pentamaster Corporation (PENT MK)

Pentamaster International (1665 HK)

	Individual Quarter 3 Months Ended		Cumulative Year Financial Year Ended		Notes	Individual Quarter 3 Months Ended		Cumulative Year Financial Year Ended	
	31/12/2023 (Unaudited) RM'000	31/12/2022 (Unaudited) RM'000	31/12/2023 (Unaudited) RM'000	31/12/2022 (Audited) RM'000		31/12/2023 MYR'000	31/12/2022 MYR'000	31/12/2023 MYR'000	31/12/2022 MYR'000
Revenue	169,014	147,659	691,944	600,567		169,014	147,659	691,850	600,587
Cost of goods sold	(115,587)	(102,926)	(484,473)	(417,368)		(115,046)	(102,541)	(482,206)	(415,135)
Gross profit	53,427	44,733	207,471	183,219		53,968	45,118	209,644	185,452
Other income	9,622	20,301	21,224	13,954		8,709	19,602	17,917	11,402
Distribution costs	(2,032)	(2,177)	(9,256)	(9,966)		(2,032)	(2,181)	(9,254)	(9,965)
Administrative expenses	(29,693)	(29,630)	(78,578)	(57,863)		(28,688)	(28,851)	(76,208)	(55,120)
Net reversal of expected credit loss ("ECL") on receivables	328	4,492	1,141	4,798		328	4,492	1,141	4,798
Other operating expenses	(326)	4	(617)	(336)		(54)	137	(174)	(86)
Operating profit	31,326	37,723	141,385	133,806		32,231	38,317	143,066	136,481
Finance costs	-	(27)	-	(87)		-	(27)	-	(87)
Share of (loss)/profit of associates	(42)	(771)	41	(1,636)		(42)	(771)	41	(1,636)
Profit before taxation	31,284	36,925	141,426	132,083		32,189	37,519	143,107	134,758
Taxation	1,642	(980)	(952)	(1,544)		1,669	(945)	(874)	(1,457)
Profit for the financial period/year	32,926	35,945	140,474	130,539		33,858	36,574	142,233	133,301

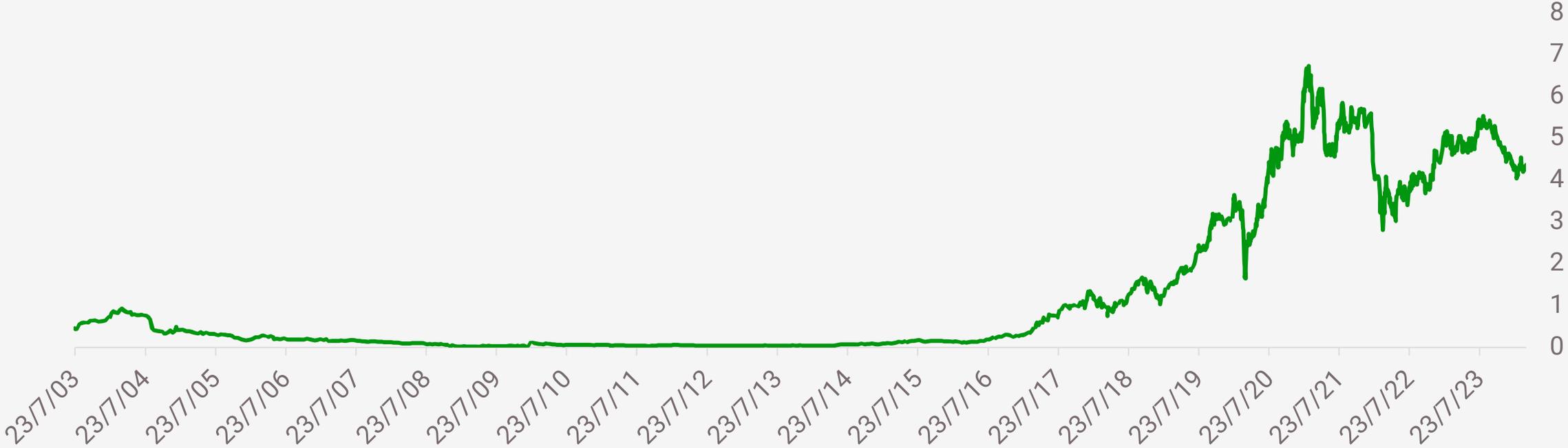
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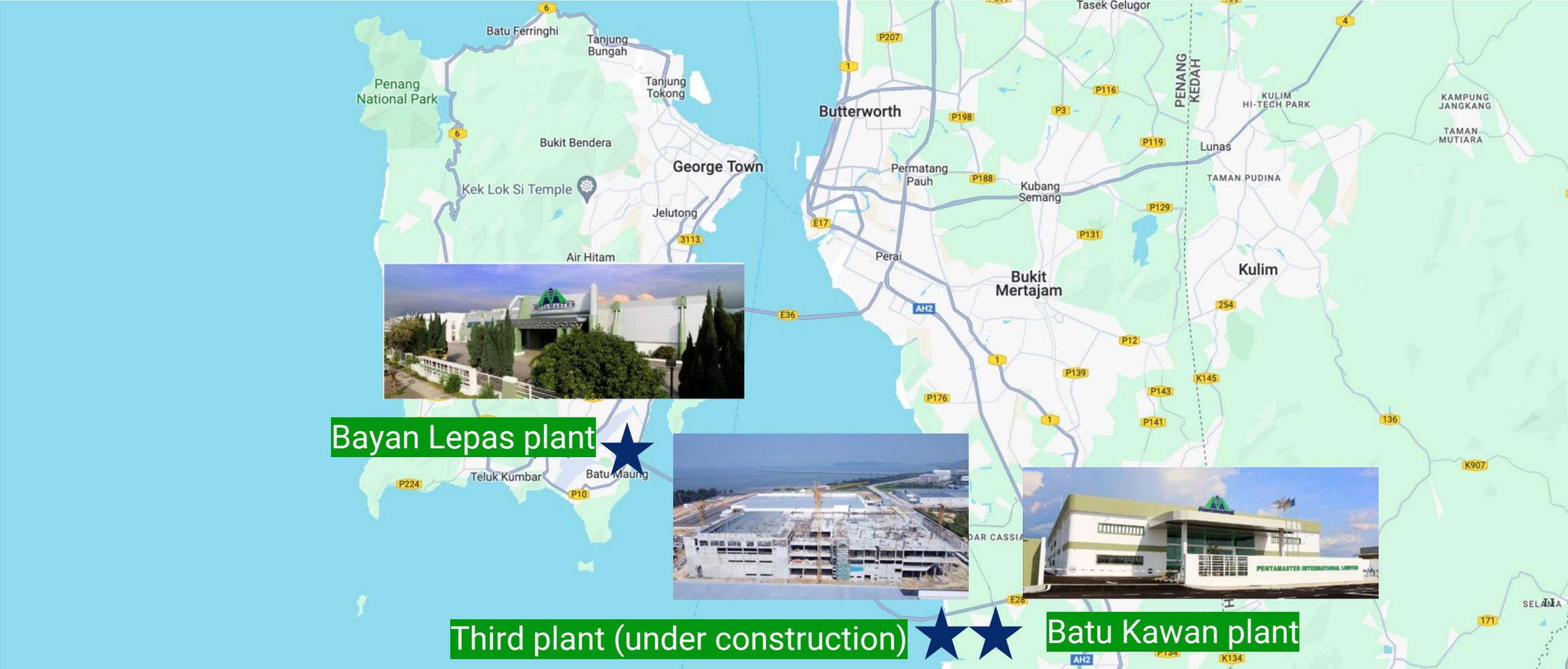
Parent Pentamaster Corporation has performed beautifully since its IPO in 2003



Pentamaster Corporation's share price



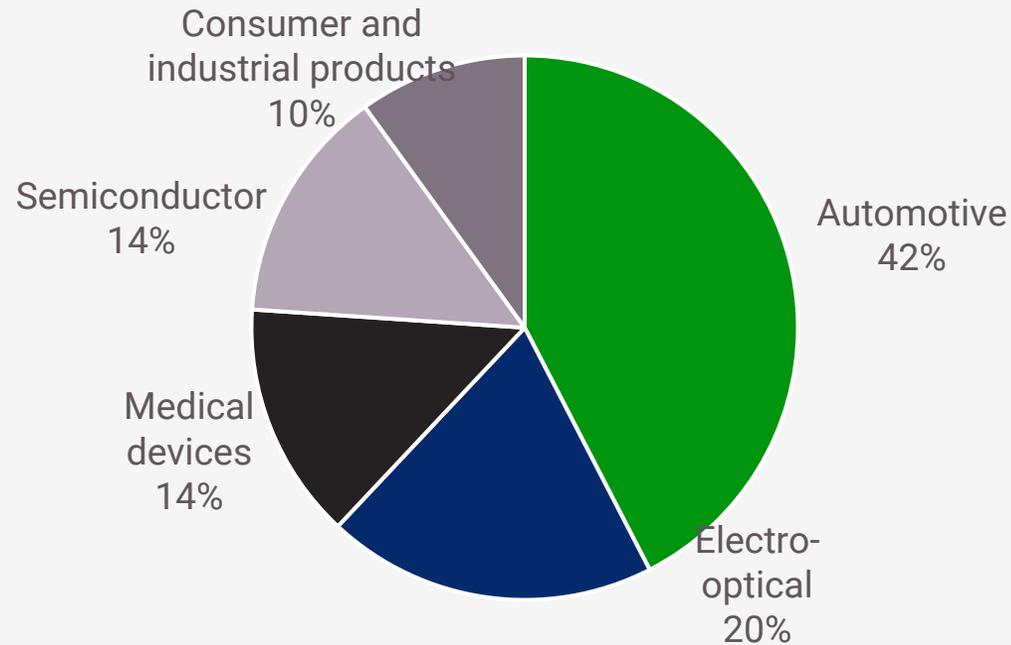
Pentamaster has 2 plants (soon 3) in Penang, Malaysia on top of sales & support centers in the US, China, Singapore, Taiwan, Japan



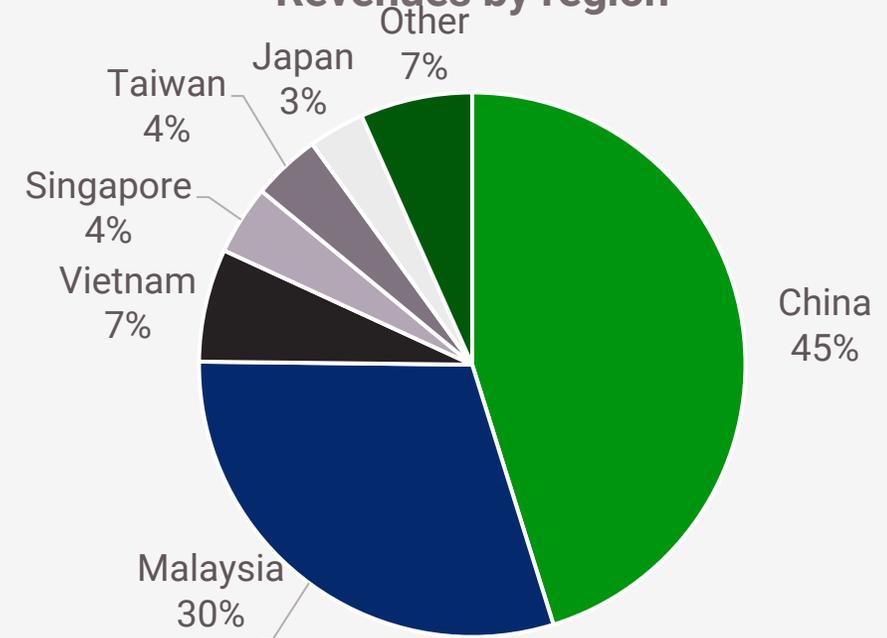
Pentamaster International has auto, electro-optical, medical device and semiconductor exposure across China, Malaysia, etc.



Revenues by segment



Revenues by region



Source: Spin-off prospectus, 2020

Pentamaster has two main segments



1. Automated test equipment

65% of revenues



Automated Test Equipment
Full turnkey solution for wafer burn-in and optical sensors testing.



Contract Manufacturing Services
Turnkey repetitive manufacturing services for complex machines.

2. Factory automation

35% of revenues



Factory Automation Solution
i-ARMS: intelligent-Automated Robotic Manufacturing System



Warehouse Automation Solution
i-Hub: Automated Bin Storage Retrieval System

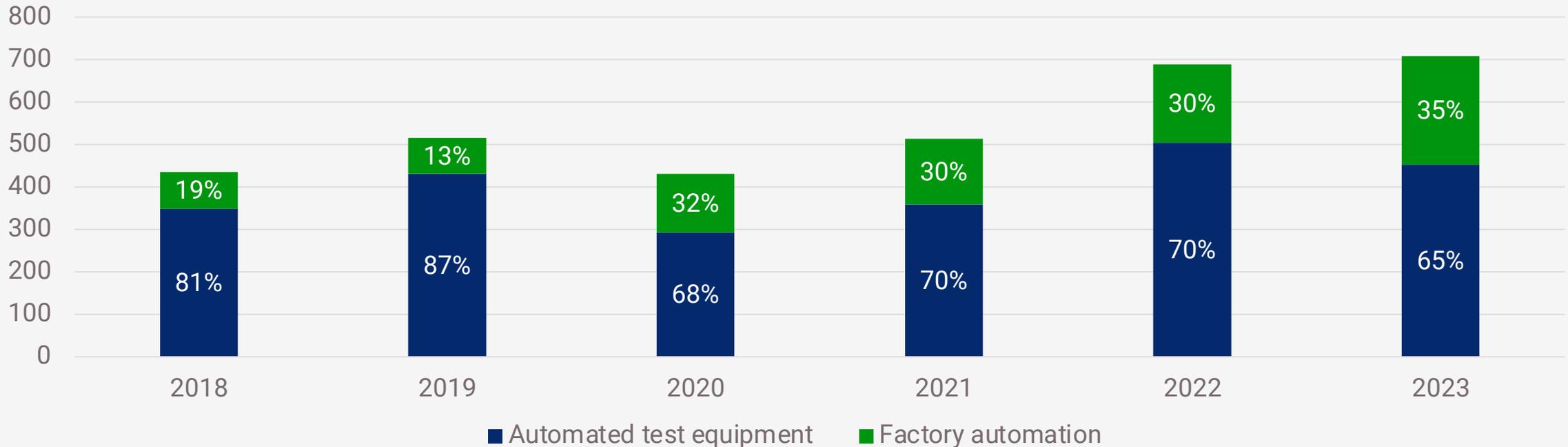


Medical Automation Solution
Custom automated assembly, vision inspection and test equipment for medical devices.

Most of the recent growth has come from the factory automation solutions segment and it now represents 35% of revenues



Segment split



1.1. Automated test equipment (ATE)



- Pentamaster designs and manufactures automated test equipment: machinery that's used that tests the functionality, performance, quality and stress tolerance of electronic devices. These are custom made according to the needs of each client and can cost more than MYR 1 million each.
- The company specializes in non-memory device tests:
 - **Semiconductor integrated circuits:** trailing-edge semiconductor chips used in the automotive, home appliances, smartphones and medical device industries.
 - **Electro-optical smart sensors:** semiconductor products used for LiDAR, smartphone facial recognition technologies, 3D time of flight, etc.
 - **Power modules:** inverters, variable speed drives for electric motors, etc.
 - **LED lights:** LED burn-in and test solutions, for smartphone, automotive lighting, LCD backlight modules.
- In practice, what happens is that electrical pulses are pushed through the chip, and the output signal is compared with a control signal. If they match, the chip is considered functional and packaged for sale. But the equipment can also perform acoustic tests, magnetic sensing tests, motion sensing tests, etc.
- Pentamaster also produces **test handlers:** robotic arms that pick up, position and transfer integrated circuits during the testing process.





1.2. Types of automated test equipment produced

Semiconductor IC

- Turret base integrated test handler
- Gravity feed integrated test handler
- Customized linear pick and place handler
- AOI scanner
- AOI integration solutions



Optics & MEMS Sensor

- Turn-key solutions
- Ambient light sensor (ALS)
- Proximity sensor
- LiDAR testing solutions
- Diffractive Optical Element (DOE) & Micro Lens Array (MLA)
- Inertial
- Magnetometer
- Acoustic
- Barometer



Power Semiconductor

- Automated assembly equipment
 - DBC separation
 - Heatsink preparation
 - Housing preparation
 - Ultrasonic welder
 - Pin insertion
- Final test equipment
 - ISO / AC / DC (active thermal controlled)
- Burn-in
 - SiC wafer level burn-in
 - Module / package level burn-in
- AOI
 - Final AOI
 - Wafer level AOI



1.3. Pentamaster engineers assembling automated test equipment





2.1. Factory automation systems

- In the factory automation segment, Pentamaster automates manufacturing processes through customized equipment.
- For example, such processes might include:
 - Automated assembly for medical, food & beverage, etc industries
 - Material handling conveyor belts
 - High-speed sortation systems
 - Robotic manufacturing systems (i-ARMS)
 - Automatic guided vehicles
 - Warehouse storage (i-Hub) and automated packaging systems



2.2. Pentamaster's i-ARMS solution (intelligent Automated Robotic Manufacturing)



Intelligent Conveyor System

- Roller Conveyor
- Belt Conveyor
- Plastic Chain Conveyor
- Sortation System



RFID

RFID & Data Tracking Solution



MES

SMS (Shopfloor Management System)



Robot System & Services

- Pick & Place Dispensing
- Assembling
- Auto Palletizing
- Packaging



Vision Inspection & Guidance System

- QA/QC Inspection
- Robotic Guidance



2.3. Pentamaster's customized warehouse automation solutions



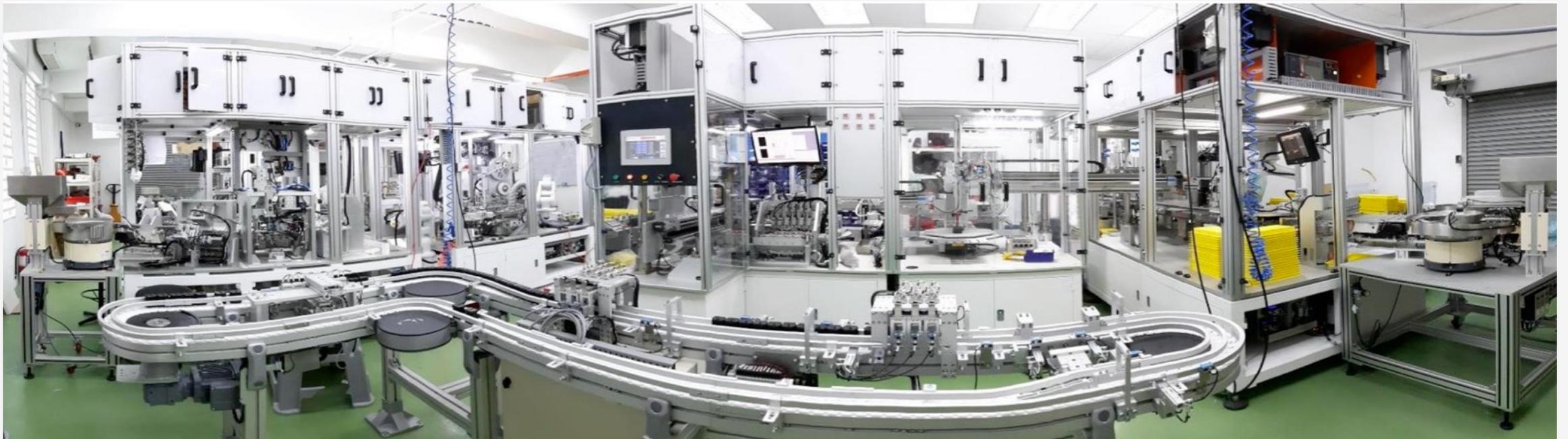
High speed sortation systems

Storage & retrieval

Stocker systems



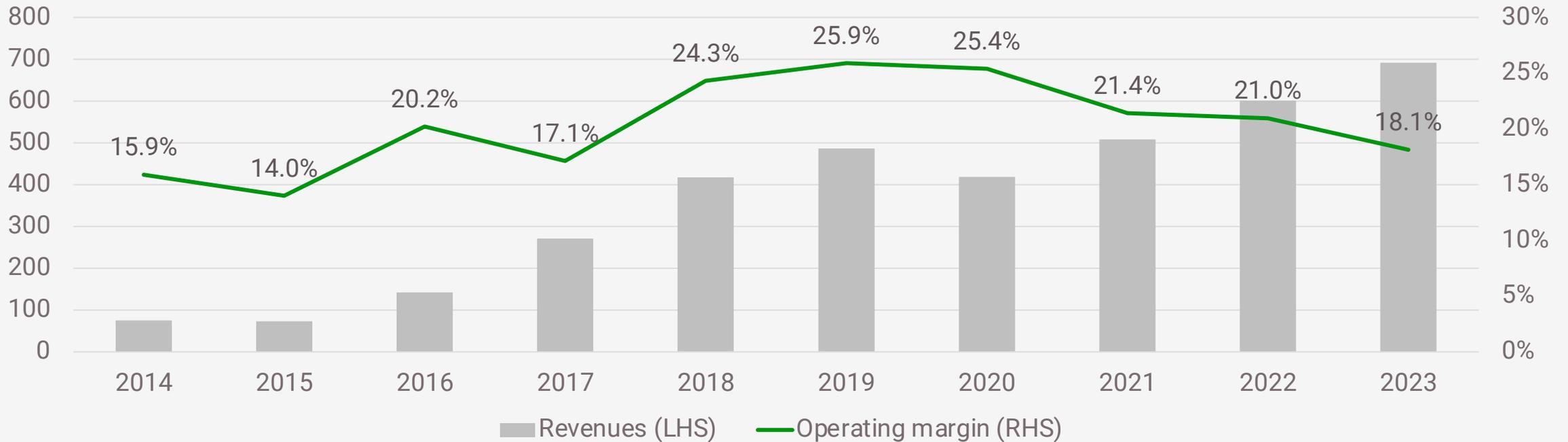
2.4. Pentamaster's medical device automation system for catheters, pen needles, surgical instruments and laryngeal masks



Pentamaster's historical growth has been impressive



Pentamaster International (1665 HK)





Pentamaster's competitive advantages

- **Switching costs:** Pentamaster's strong track record has enabled the company to build up close relationships with its customers, who tend to have stringent quality control requirements on their suppliers. These customers have now built Pentamaster machinery into their operations, making it unlikely they'll switch after machines need to be replaced after 5-10 years of use.
- **Economies of scale:** Greater scale has enabled Pentamaster to become more competitive, given lower R&D/Sales and SG&A/sales ratios. Vitrox has similar scale, but not Greatech or Mi Technovation.
- **Low distribution costs:** Pentamaster enjoys close proximity to the Penang cluster of semiconductor related companies and to Penang port.
- **Low labor costs:** Wage levels in Malaysia are lower than in many other regions such as Singapore, Japan, South Korea and the United States, especially with the recent weakening of the Malaysian Ringgit.
- **Favored employer:** One of Pentamaster's key subsidiaries ranked best employer 2023 by Malaysia pension fund EPF. Though its Glassdoor reviews do seem average, at best.

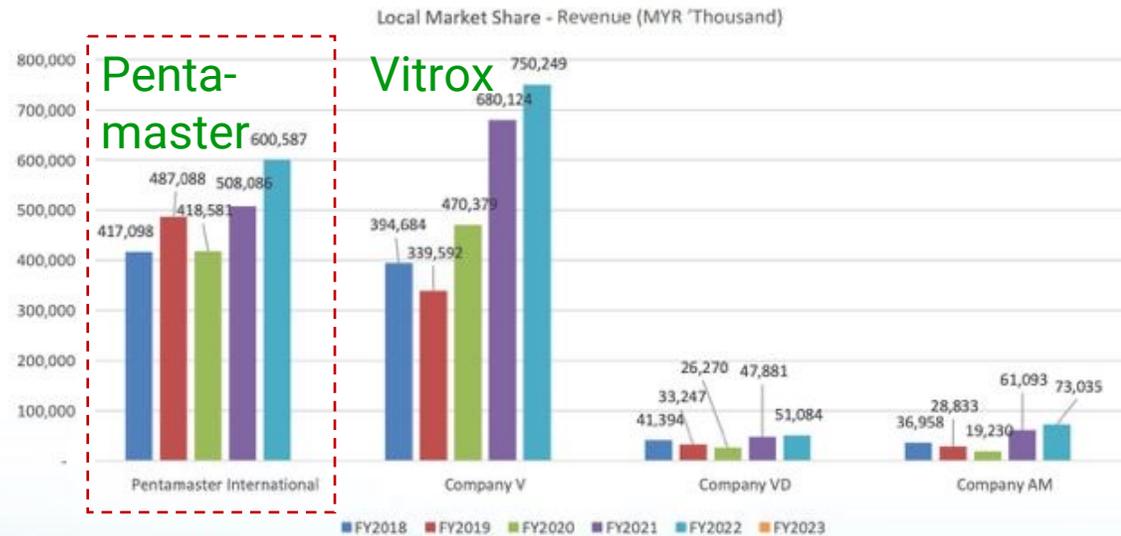


ATE competitor Vitrox gained market share up until 2022 but has seen its revenues decline... Pentamaster is showing positive growth



Market share

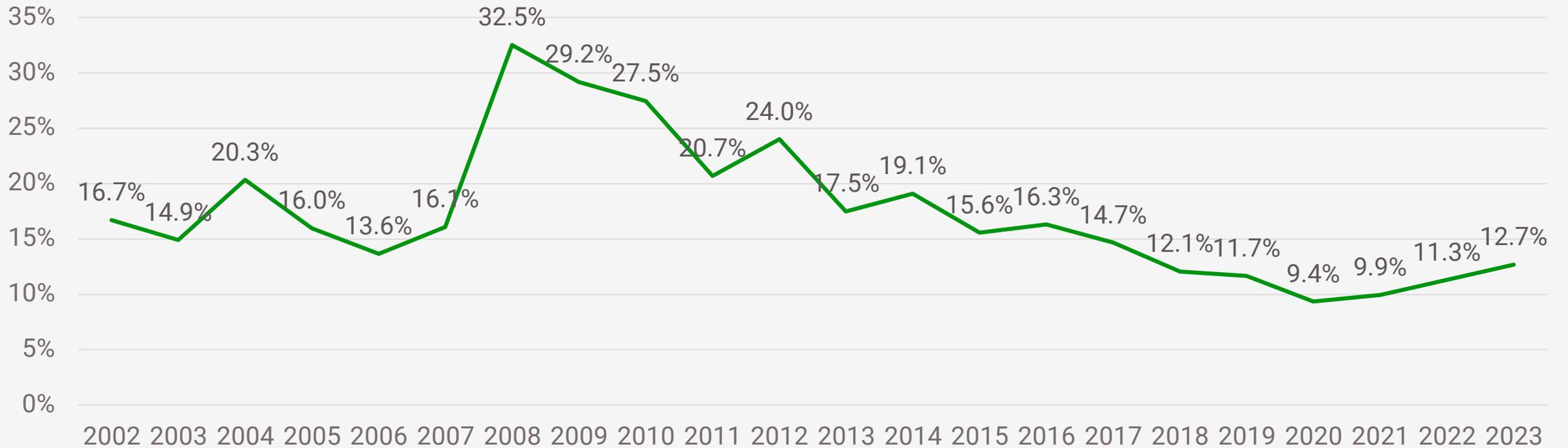
**The profiles of the back-end ATE competitors are based on each company's financial reports. A fair comparison between our Group and our competitors would require revenue information on just the back-end test equipment, which is not readily available. Additionally our Group and some of our competitors are also involved other business segments*



Operating leverage starting to show



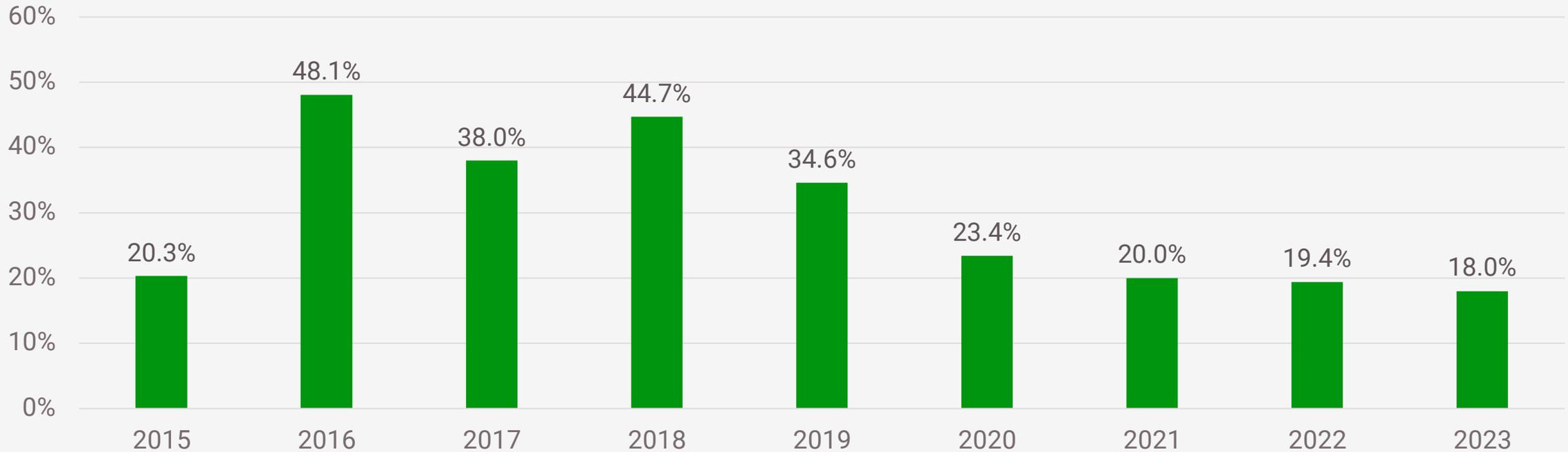
Pentamaster Corporation SG&A/revenues



Pentamaster International has maintained a decent return on equity throughout the past 9 years



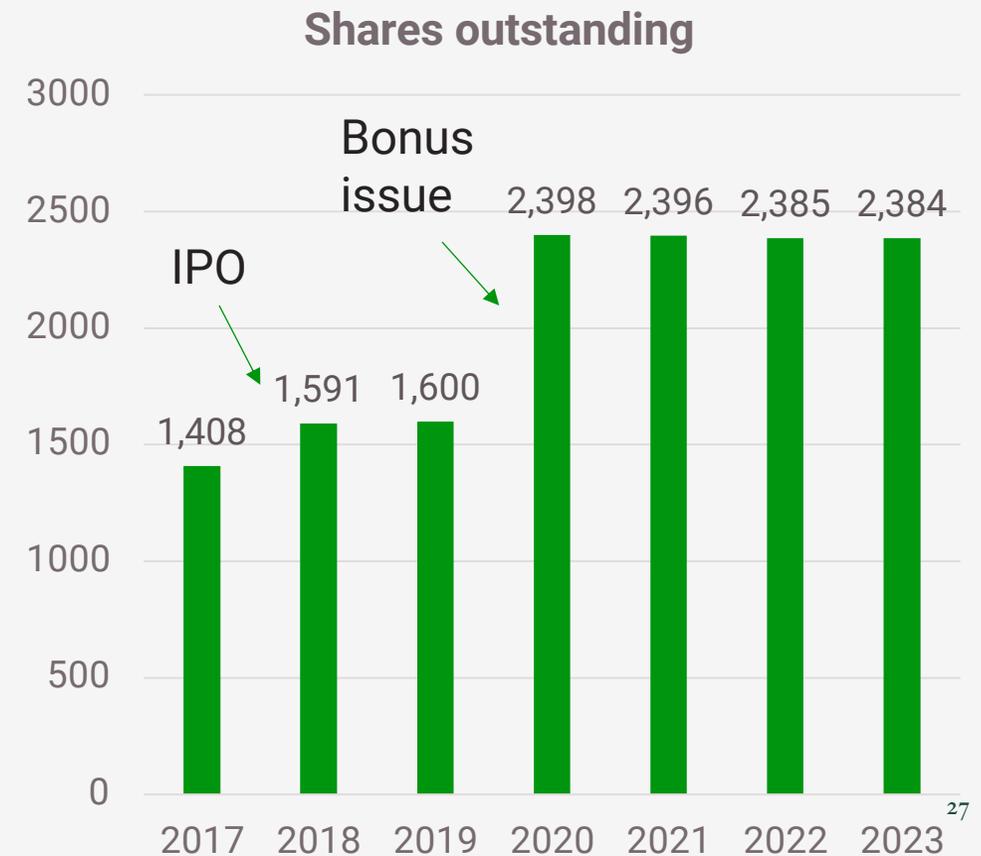
Pentamaster International's return on equity



Capital allocation



- Pentamaster International's share count rose in 2018 due to its IPO. And in 2020, the share count rose 50% due to a bonus issue of 1 new share for every 2 existing shares held. There have been modest share buybacks since then.
- Pentamaster's past M&A appears to be strategically motivated and done at reasonable multiples:
 - Parent Pentamaster cOrporation acquired **Origo Ventures** for MYR 5.8 million in 2015. It purchased the company at about half book and recognized . Below NAV, so recognized a bargain purchase arising from acquisition of about RM 2.6m.
 - Pentamaster International acquired **TP Concept** for MYR 20 million in 2019, representing 4x earnings. There were additional profit guarantees but those did not change the total consideration materially.
 - It bought a 29.9% stake in Taiwan's **Everready Precision Industrial Corp's** (EPIC) for US\$6.8mn in 2022 to expand into the electro-optical segment. The company designs and manufactures end-to-end optical integration solutions and components.



Source: TIKR

Pentamaster International's cash flow conversion was somewhat weak in 2020-22 but understandable given volatility in orders



CFO vs net profit



Pentamaster Intl's shares are now close to their 2022 lows



Pentamaster International

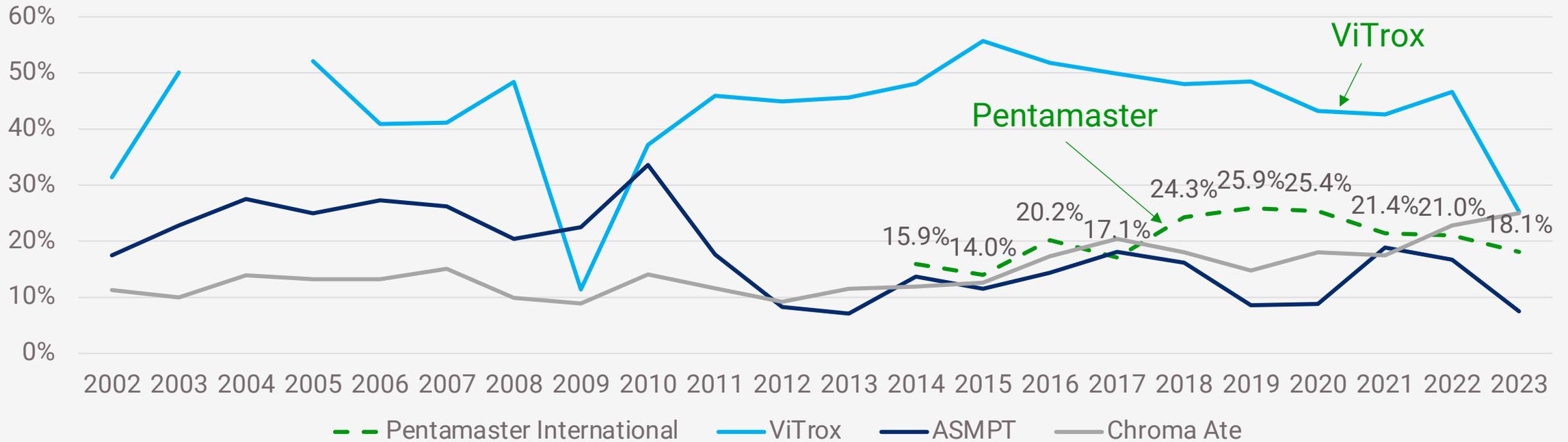


Source: Yahoo Finance

Pentamaster's peers enjoy similar margins, with the only exception of Malaysia's ViTrox



Operating margins



Source: TIKR

Pentamaster's Glassdoor reviews emphasize growth and learning potential but with significant overtime



Positives

- *"Humble company with **great potential**. Many young people. Stable company. Haven't heard anyone being laid off during COVID19(at least in my team). Great environment to learn things(including things outside your scope) and impress the bosses because the company itself is not that big."*
- *"**Able to learn and gain experience** along the way. Top management are very intellectual in commanding their instructions to their underlines"*
- *"**Friendly learning environment**, career advancement opportunities"*
- *"Learn in quick pace environment, **survival of the fittest**. You make it, you have made it."*

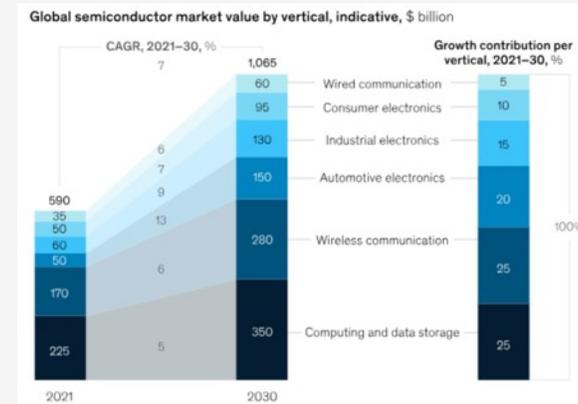
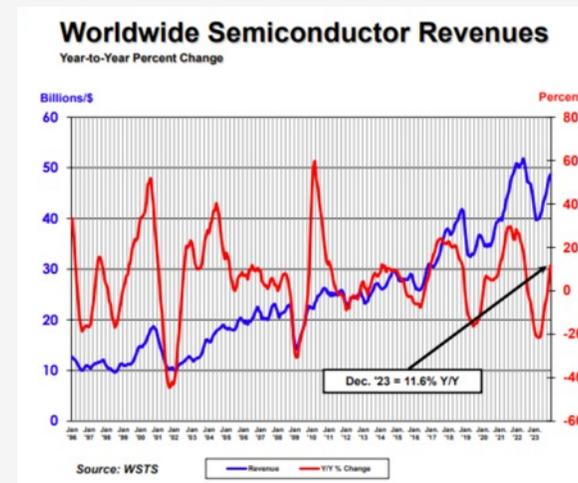
Negatives

- *"**Pretty basic benefits**. Strict working hours (punch card system) and hard for people with family especially. Lack of seniors to rely on/to refer about anything. Workload is quite a lot. Doesn't actually have clear line between your work and work that is outside your scope since some things don't have dedicated person to the job."*
- *"**Intolerable working overtime culture, disorganized project management**"*
- *"**Tons of workload**, overtime till 1 am is common and weekends is expected to work too."*
- *"Overtime flat **rate too low**"*
- *"Often **required to work overtime**"*
- *"**Not as flexible** as other company"*
- *"A **fast-paced** working culture"*
- *"Require to sacrifice our time to **perform overtime**"*



Long-term industry trends

- **Semiconductor industry:** The global semiconductor industry is growing in the low single digits but with significant volatility from year to year and a downturn after the Dotcom-bubble.
- **Malaysian manufacturing taking market share:** Ever since Trump's tariffs in 2018, manufacturing has moved from China to Southeast Asia or India. Given that Malaysia remains neutral in the conflict, it should benefit from FDI flows.
- **Electrification of vehicles:** Pentamaster is a beneficiary of the vehicle electrification trend. EVs typically require about 2x the number of chips compared to ICE vehicles. Global sales of automotive chips grew +24% in 2023, partly due to catch-up growth after the pandemic shortages but also greater chip usage in vehicles, especially in advanced driver assistance systems (ADAS) and infotainment systems.



What is going to change for Pentamaster?



- 1. 2025 target:** The company aims for a MYR 1 billion in top-line revenues by 2025 by growing the factory automation and medical device segments.
- 2. Growth to be driven by EVs, medical industry automation and iARMS:** Pentamaster's longer-term strategy emphasizes:
 - A greater focus on the electric vehicle industry through a variety of solutions for IGBT and SiC batteries, including assembly, final inspection and testing
 - Expanding into adjacent areas within the electro-optical automated test equipment industry
 - Expand to Greater China and automotive markets such as Japan and Germany.
 - Following its acquisition of TP Concept, it wants to grow its medical assembly automation division.
 - It also believes that its sales of the i-ARMS solution is poised to grow.
- 3. Growing orderbook:** Pentamaster does not disclose its orderbook, but its contract liabilities from receiving deposits of new manufacturing orders suggests that orders grew significantly in 2023. This bodes well for future revenue growth.
- 4. Third plant:** Pentamaster will spend MYR 200 million the next two years to complete its third plant. The gross floor area of this new facility is estimated to be 720,000 square feet, far higher than Pentamaster's current gross floor area of just 200,000 square feet. Land was purchased in 2021 in Batu Kawan for MYR 28 million. The new plant is planned to open in the first quarter of 2025.

Management's 2024 outlook emphasizes growth in the medical manufacturing automation segment and electric vehicles

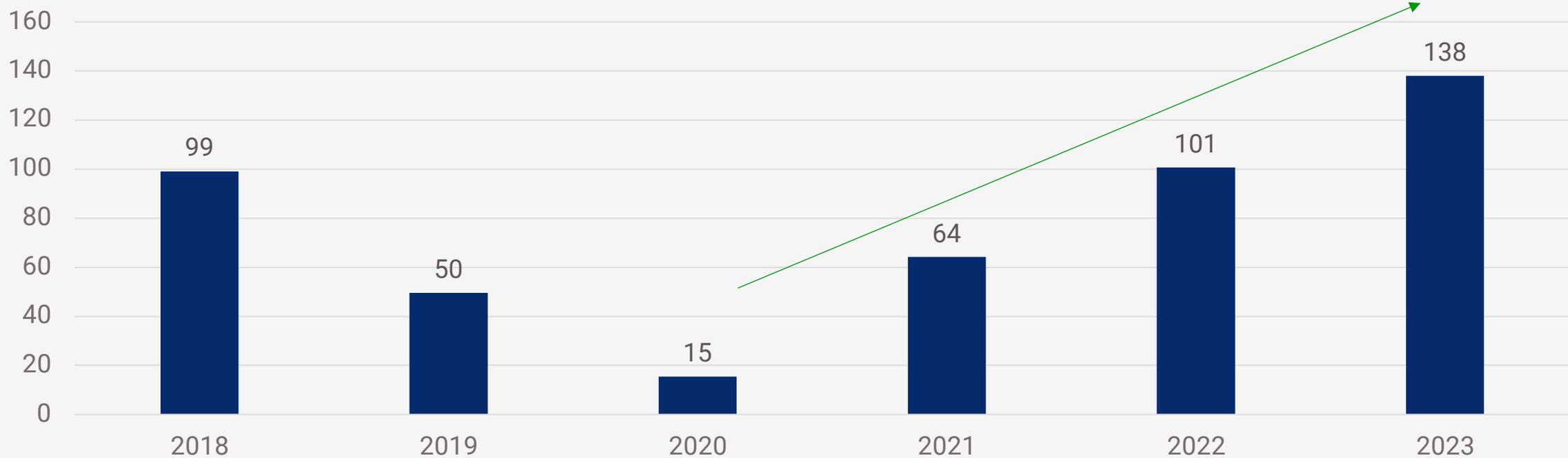


- *“As the Group approaches the year 2024, there is an expectation that the delicate nature of these macroeconomic factors will persist, indicating a sustained vulnerability and fragility in the economic landscape. However, as challenging as it can be and barring any unforeseen circumstances, the Group endeavours to achieve yet another year of continuous business growth with a steadfast focus on high growth segments. Notably, the medical devices segment currently commands the largest share of the Group’s current order book and this segment will continue its strong growth momentum in 2024, primarily propelled by the widespread adoption of automation in medical manufacturing. Having consistently led the Group’s revenue for two consecutive years, the Group’s order book remains fortified by contributions from the automotive segment. This is anchored by the Group’s comprehensive range of product solutions within this segment.”*
- *“With the Group holding a robust presence in regions like Europe and the United States, other emerging growth countries like Taiwan and Japan are seen to be the next promising areas poised for growth, particularly in the context of automotive electrification. The Group anticipates that such developments in these markets will yield positive outcome and further contribute to the Group’s revenue in its automotive segment. While the Group experiences favourable momentum in both its medical and automotive segments, contributions from its other industry segments remain comparatively modest.”*
- *“To conclude, the Group maintains a keen awareness of the prevailing economic fragility and is committed to addressing it with a proactive and strategic approach which center on high growth industries. 2024 is another year where the Group remains cautiously optimistic with its focus on seizing opportunities to broaden its revenue streams. In addition to allocating resources to areas with significant potential, the Group will continue to place a strong emphasis on continuous innovation and improvement in its design and operational processes for its products and solutions. With the Group advancing through the second half of its 4-year plan in its “Grand Roadmap & key focus 2022-2025”, it is imperative for the Group to expedite the construction of its campus 3. To this end, phase one and phase two featuring the construction of two manufacturing plants, spanning approximately 720,000 sq.ft. are in progress concurrently with a targeted full completion set for the first quarter of 2025. Anticipating the completion of the third plant, the Group aims to mark a significant milestone.”*

Pentamaster Int'l's “contract liabilities”, arising from receiving deposits on new sales orders, suggests growing revenues ahead



Contract liabilities



The new plant will quadruple Pentamaster's floor space available for manufacturing its machines and automation solutions



Headquarter located at Bayan Lepas, Penang, Malaysia.

- 140,310 sq ft., Design center, prototyping, small to large volume build (post expansion in Q2 2020)



Second plant located at Batu Kawan, Penang, Malaysia.

- 97,033 sq ft., High volume machine build, and equipment contract manufacturing



Proposed Third plant located at Batu Kawan, Penang, Malaysia.

- Land size : 12 acres, with land size of 500,000 sq. ft and proposed revised built up of 720,000 sq ft production space, built for factory automation solution and medical device segment. Expected to be fully completed by Q1 2025.

New products: SiC/GaN related testing products



Pentamaster developed a diverse selection of customization options, allowing for flexibility in design, number of test channels, and test configurations while also supporting mass production testing for SiC/ GaN.

Pentamaster has also developed its own KGD tester as integrated chips and modules getting more complex and advance, with higher power, higher performance, and more efficient and productive time-to-market required by customers.



WLBI-22

Features dual thermal chuck design, enabling parallel burn-in process.

Channel Number:
Up to 720 per wafer unit



Trooper-BI

Seamless integration with AGV vehicles for automated wafer handling.

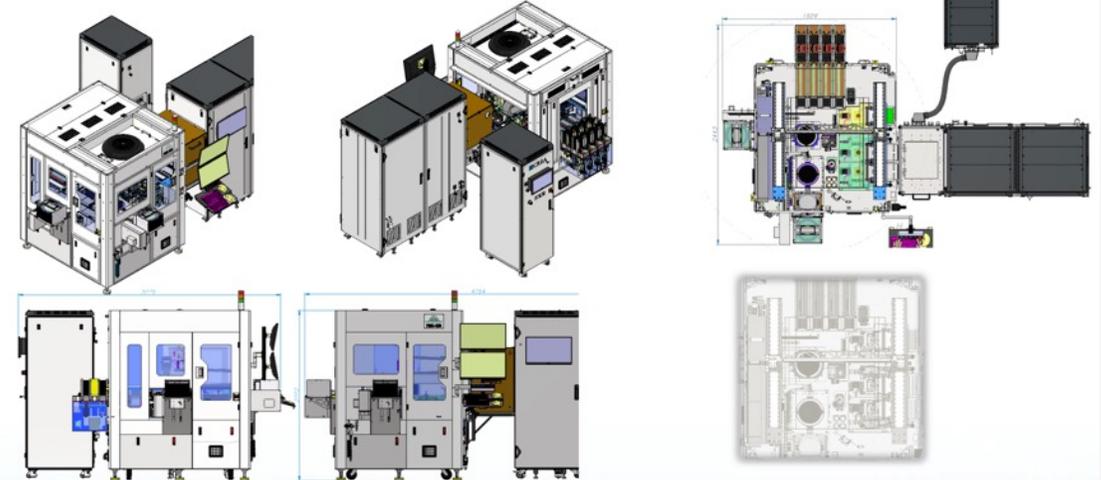
Channel Number:
Up to 1800 per wafer unit



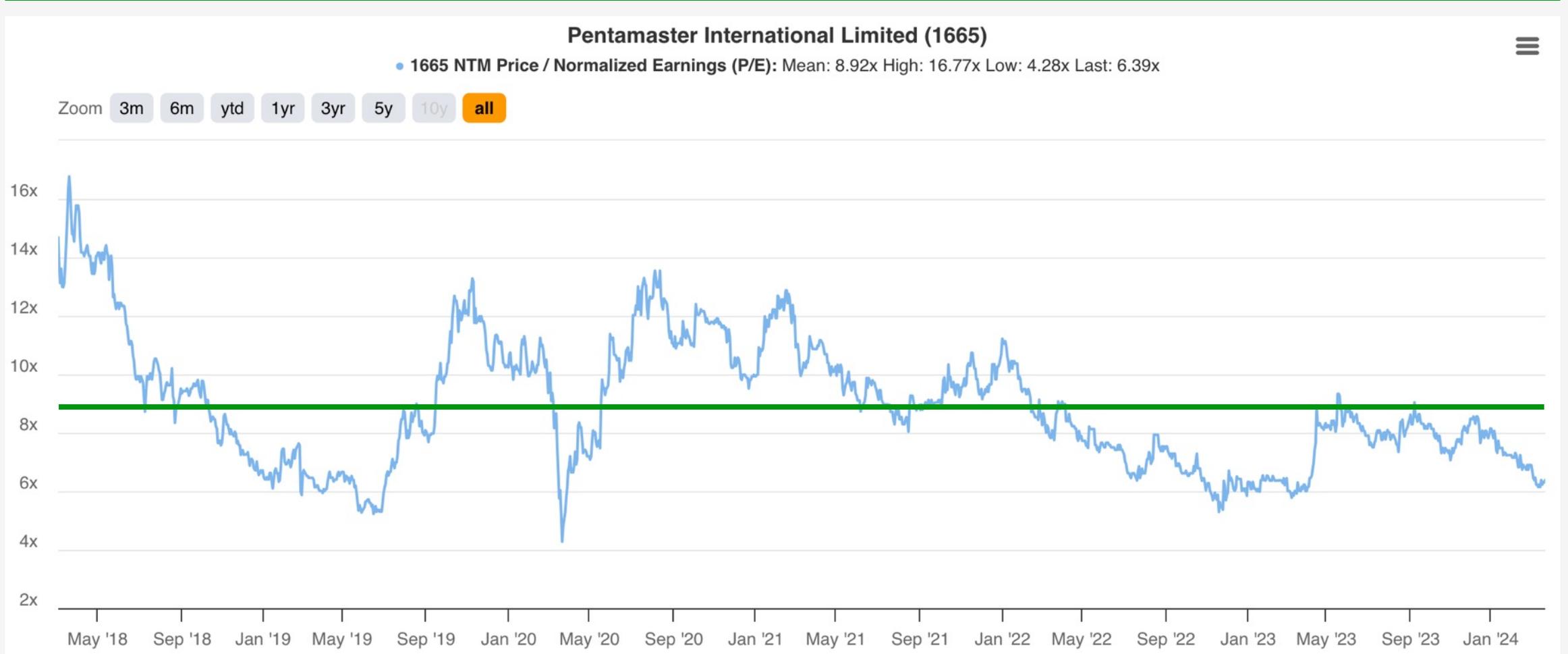
Trooper-BI4

Accommodates 4 thermal chucks, enabling simultaneous burn-in of 4 wafers.

Channel Number:
Up to 1800 per wafer unit



Pentamaster Int'l first traded at 15x P/E... but an average of 8.9x



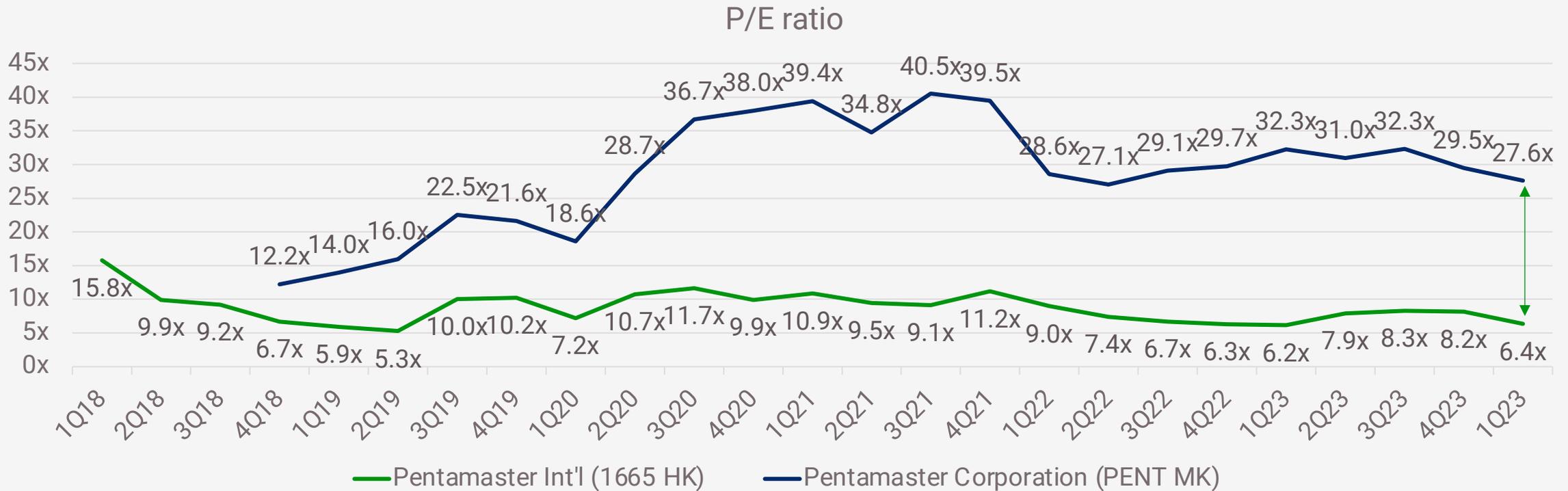
Source: TIKR

Pentamaster International's peers trade closer to ~30x P/E



ATE stocks	Ticker	Region	Mkt cap (US\$m)	EV/Sales	EV/EBIT	P/E	Div yield
Pentamaster International	1665 HK	Malaysia	245	0.95x	4.3x	6.4x	3.1%
Pentamaster Corporation	PENT MK	Malaysia	638	3.63x	16.7x	27.6x	0.6%
ViTrox	VITRO MK	Malaysia	1,463	8.68x	32.9x	35.8x	0.7%
Greotech	GREATEC MK	Malaysia	1,231	6.62x	24.9x	27.3x	n.a.
Mi Technovation	MI MK	Malaysia	342	2.62x	12.6x	21.6x	2.2%
Hangzhou Changchuan	300604 CH	China	2,900	6.30x	35.1x	30.4x	0.1%
ASMPT	522 HK	Singapore	5,244	2.48x	21.3x	27.9x	1.9%
Advantest	6857 JP	Japan	32,263	9.09x	42.0x	58.9x	0.6%
Teradyne	TER US	United States	16,396	5.68x	28.7x	36.7x	0.4%
Chroma Ate	2360 TT	Taiwan	3,377	4.94x	18.1x	21.1x	3.0%
Cohu	COHU US	United States	1,452	2.42x	44.9x	54.7x	n.a.
Innotech	9880 JP	Japan	179	0.73x	11.0x	16.2x	3.5%
Average ex-Pentamaster Int'l			5,953	4.84x	26.2x	32.6x	1.4%
Median ex-Pentamaster Int'l			1,463	4.94x	24.9x	27.9x	0.7%

The operating company Pentamaster International trades at a significant discount to the holding company Pentamaster Corporation



Assuming a 3% effective tax rate due to Pentamaster's pioneer status, and +13% yearly top-line growth and 20% margins, P/E 6.1x

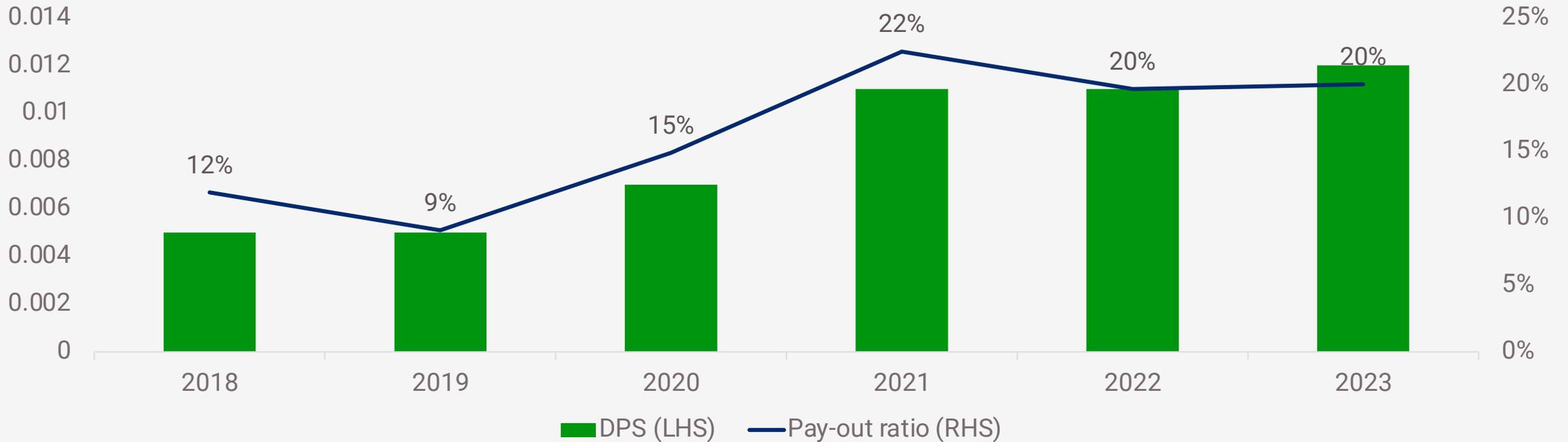


Pentamaster International (1665 HK)	2019	2020	2021	2022	2023	2024	2025	2026
Revenues	487.1	418.6	508.1	600.9	691.9	781.8	883.4	998.3
Cost of sales	-308.0	-278.2	-353.2	-415.1	-482.2	-547.3	-618.4	-698.8
Gross profit	179.1	140.4	154.9	185.7	209.6	234.5	265.0	299.5
Other income	14.3	10.5	15.2	11.4	17.9	20.2	22.9	25.9
Distribution costs	-7.2	-7.8	-10.6	-10.0	-9.3	-23.5	-26.5	-29.9
Administrative expenses	-45.9	-26.9	-37.2	-55.1	-76.2	-78.2	-88.3	-99.8
Reversal of expected credit loss	-0.2	0.0	0.0	4.8	1.1	0.0	0.0	0.0
Other operating expenses	0.0	0.0	-0.1	-0.1	-0.2	-0.2	-0.2	-0.3
Operating profit	140.1	116.1	122.2	136.8	143.1	153.0	172.8	195.3
Finance costs	-0.2	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0
Associates	-0.7	-1.2	-1.5	-1.6	0.0	0.0	0.1	0.1
Pretax profit	139.2	114.8	120.6	135.0	143.1	153.0	172.9	195.4
Income tax	-7.8	-0.9	-3.8	-1.5	-0.9	-4.6	-5.2	-5.9
Net profit	131.4	113.9	116.7	133.6	142.2	148.4	167.7	189.5
EPS (MYR)	0.05	0.05	0.05	0.06	0.06	0.06	0.07	0.08
P/E	8.8x	10.2x	9.9x	8.7x	8.1x	7.8x	6.9x	6.1x
EV/EBIT	5.2x	6.3x	6.0x	5.3x	5.1x	4.8x	4.2x	3.7x
Div yield	1.0%	1.5%	2.3%	2.3%	2.5%	2.6%	2.9%	3.3%

Pentamaster International's dividend payout ratio remains low at just 20%. It's simply reinvesting most of its profits.



Pentamaster Int'l dividend per share & pay-out ratio



Potential downside risks



- **Cyclicality:** The semiconductor industry is cyclical, and Pentamaster's revenues are not recurring. The 2005-2010 downturn lasted for five years. Then again, Pentamaster has entered higher value-add segments since that period.
- **Some customer concentration:** The largest customer accounts for 15% (most likely Intel). The largest 5 customers account for 46% of revenues. The loss of any single customer would hurt profitability.
- **Stronger Malaysian Ringgit:** I believe that Pentamaster benefitted significantly from the depreciation of the Malaysian Ringgit from 2015 onwards. Any reversal of that depreciation vs the US Dollar and Renminbi would consequently hurt them.
- **Finding talent:** There's a shortage of talented engineers in Malaysia, partly because salaries are higher elsewhere. But the weak Ringgit also strengthens Pentamaster's competitive advantage.



The Malaysian currency's low real effective exchange rate suggests that companies like Pentamaster and ViTrox are competitive



Catalysts



- Continued revenue growth
- 1Q2025 third plant opening
- Further share buybacks

