

## MYMBN Berhad

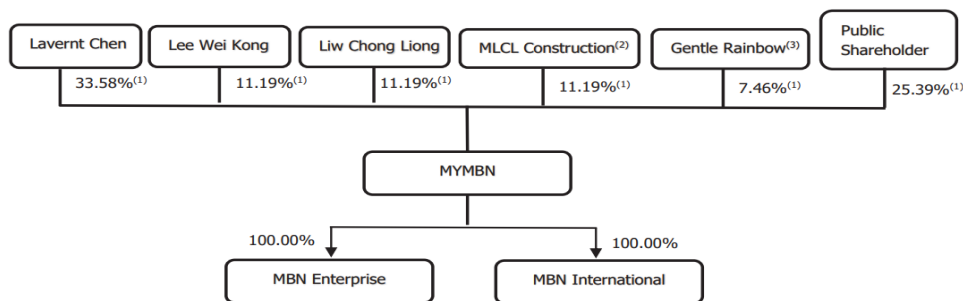
### Trusted Processor for Superior Edible Bird Nest Products

- MYMBN processes and exports EBN products to the PRC (c.98%) and we believe its expansion plans of (i) expanding its processing facility, (ii) venture into China for the RCEBN products, (iii) the export of RUC EBN products in Vietnam could materialise in the next 2 years, which will be earnings accretive.
- We project the core earnings to grow by 17-19% to RM5.9-6.9m for FY23-24f underpinned by recovery in China demand.
- MYMBN is valued by ascribing a P/E of 15x pegged to 1.8 sen FY24f EPS, leading to a fair value of RM0.27.

### Company Background

- MYMBN is principally involved in processing and sale of Edible Bird's Nest (EBN). The principal place of business is in Malacca, and the products are exporting Raw Unclean (RUC) EBN to overseas markets (i.e. Hong Kong, China and Vietnam).
- In 2017, MYMBN has an estimated annual processing capacity of 3,456kg of RUC EBN, and successfully exported to Hong Kong. Currently, the capacity has increased to 23,040kg of RUC EBN. MYMBN has obtained approval in 2019 from General Administration of Customs of the PRC (GACC) to export RUC EBN to the PRC, while it has obtained HALAL certificate for RUC EBN in 2023.
- During Covid-19 period, it managed to export the largest consignment to the PRC, weighing at 1,010kg of RUC EBN.

**Fig #1 Post-IPO group structure after incorporation of MBN International**



Source: Company prospectus

### Business Overview

<b>Procurement</b>	• From 18 approved suppliers with 224 swiftlet houses nationwide
<b>Principal business activities</b>	• Processing and sale of EBN, specifically RUC EBN
<b>Products</b>	• The RUC EBN are available in 4 categories, namely Guan, Tian, Ban, and Cui series
<b>Customers</b>	• EBN Traders • Processors of RUC EBN • Manufacturers of EBN-related products such as F&B, cosmetic, etc...

Source: Company prospectus, M+ Online

### IPO note report

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### Not Rated

IPO price	RM0.21
Fair value	RM0.27
Capital upside	28.5%
Dividend return	0.0%
Total return	28.5%

FBM KLCI	1,391.46
FBM Small Cap	15,193.12

### Company profile

MYMBN is involved in the processing and sale of Edible Bird's Nest.

### Stock information

Bursa Code	0280
Bloomberg ticker	MBN MK
Listing market	ACE
Share issued (m)	386.0
Market Cap (m)	81.1
Shariah compliant	No

### Major shareholders

Major shareholders	%
Lavernt Chen	33.6
Lee Wei Kong	11.2
Liew Chong Liong	11.2
MLCL Construction	11.2

### Earnings snapshot

FYE (Dec)	FY22f	FY23f	FY24f
PATMI (m)	5.0	5.9	6.9
EPS (sen)	1.3	1.5	1.8
P/E (x)	16.2	13.7	11.7

## Products Category

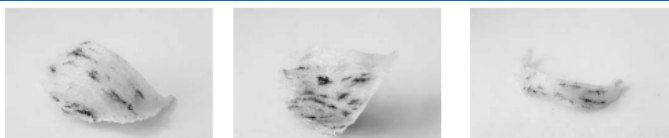
- Under MYMBN, the RUCEBN products are available in four categories, namely the Guan “官系列”, Tian “天系列”, Ban “般系列” and Cui “翠系列” series.

### Guan Series “官系列”



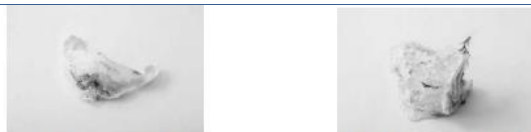
<b>Sub-series</b>	Guan Cup (“官平”)	Guan Triangular (“官角”)	Guan Strip (“官条”)
<b>Shape</b>	Cup	Triangular	Strip
<b>Colour</b>	White	White	White
<b>Features</b>	RUCEBN with white cup shape, triangular shape and strip with minimal feathers.		

### Tian Series “天系列”



<b>Sub-series</b>	Tian Cup (“天平”)	Tian Triangular (“天角”)	Tian Strip (“天条”)
<b>Shape</b>	Cup	Triangular	Strip
<b>Colour</b>	White/ Beige	White/ Beige	White/ Beige
<b>Features</b>	RUCEBN that is available in cup shape, triangular shape and strips with medium amount of feathers. Products in this category are generally white to beige in colour.		

### Ban “般系列”



<b>Sub-series</b>	Ban Oval (“般圆”)	Ban Triangular (“般角”)
<b>Shape</b>	Oval	Triangular
<b>Colour</b>	Beige/ Yellow	Beige/ Yellow
<b>Features</b>	RUCEBN with yellow coloured cup shape and triangular shape with medium to heavy amount of feathers.	

### Cui “翠系列”

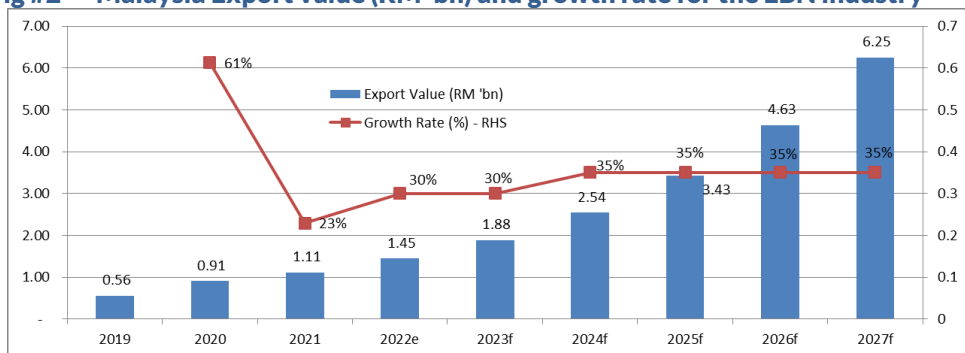


<b>Sub-series</b>	Cui Horn (“翠片”)	Cui Fragments (“翠碎”)
<b>Shape</b>	Horn	Fragments
<b>Colour</b>	White/ Beige	White/ Beige
<b>Features</b>	RUCEBN that comes in fragments such as horn, chip and base part of the nest, in white to beige colour, with medium amount of feathers.	

Source: Company prospectus

- **EBN has great benefits...** EBN is significant in the Chinese culture due to its widely known health and medicinal benefits such as moisturizing the lung, resolving phlegm, alleviating cough and recuperating from diseases.
- **...with high economic value.** From the Protégé IMR report, the high demand for EBN has produced an economic value ranging from USD600-10k per kg depending on its grade, shape, species and origin.
- **EBN Industry in Malaysia.** Given the picked up in demand over the years, the collection of EBN in Malaysia has shifted from lime stone caves to swiftlet farmers from swiftlet houses, removing the risks from harvesting bird's nests from cave walls.
- **EPP under the ETP.** Malaysia's government has introduced the 'Increasing the production of "Edible Bird Nest" (Swiftlet Nest)' as an Entry Point Project (EPP) under the Economic Transformation Programme (ETP). Under the ETP the local EBN industry aims to capture 40% of the global market share and generate gross national income (GNI) of up to RM4.5bn by 2020.
- **Export destinations and growth rate.** Mainly, the EBN is exported to China, while other destinations include Taiwan, Laos, Vietnam, Korea and the US. The export has increased significantly from 15,900kg in 2016 to 159,800kg in 2022, while export has grown strongly from 38kg to 34,652kg in 2021 to Vietnam.

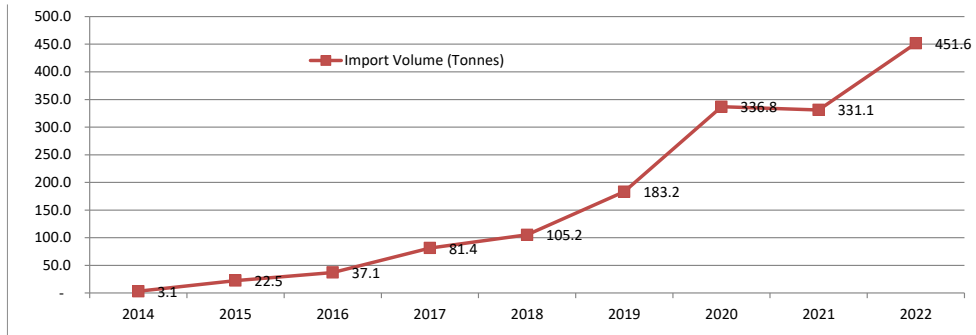
**Fig #2 Malaysia Export value (RM 'bn) and growth rate for the EBN industry**



Source: Company prospectus, Protégé (CAGR 2022-2027: 34%)

- **Market share of MYMBN.** Based on revenue of RM67.9m in FY22, MYMBN is estimated to have 4.7% of the total value of exports of Malaysian EBN of RM1.45bn.
- **Imports of EBN in China.** Traditionally, EBN were mainly consumed by women, it has since evolved into a product suitable for people of all ages. Also, the EBN consumption among the highly educated younger generations has seen increasing with 60% of the EBN purchase on JD.com (an e-commerce platform) was made by people aged 16-35 in 2019. Overall, demand of EBN in China is growing and it has recorded 86.4% CAGR within the period of 2015-2022.

**Fig #3 Imports of EBN in China, 2014-2022**



Source: Company prospectus, Protégé (CAGR 2015-2022: 86.4%)

- **EBN industry in Vietnam.** According to the Asian Development Bank, Vietnam's economy grew at 8.0% in 2022 (2021: 2.6%) and likely to advance by 6.5% in 2023. Similar to China, consumers in Vietnam are highly appreciative of bird's nest and demand is expected to increase in tandem with a rapidly rising middle-income class and increasing disposable income. Malaysia's export of bird's nest to Vietnam expanded from ~38kg in 2016 to 34,652kg in 2021.

## Investment merits

- **Competent founders and management team.** MYMBN is led by CEO Lavernt Chen, who has more than 20 years of hands-on experience in the bird's nest industry. Before this, he was involved with his family swiftlet farming business. Being assisted by the COO, Chin Chee Cheah has more than 17 years' experience in the bird's nest industry and is responsible for the entire processing operations and procurement activities of the group. In the production Department, it is headed by Kiew Pei Fang who has more than 6 years in the industry and is responsible for overseeing the processing activities, including the sorting and grading of RUCEBN.
- Besides, the group's Non-Independent Non-Executive Chairman and Director, namely Liw Chong Liong and Lee Wei Kong are experienced participants in the bird's nest industry.
- **Meticulous quality control standards.** MYMBN's operations adhere to and comply with the international quality standards and are highly traceable (QR code on each of the packaging) and being recognized by the relevant authorities.

Fig #4 Standards that MYMBN practice in its operations

<b>VHM</b>	• Issued by DVS, VHM is a scheme that prescribes the necessary food hygiene and sanitation requirements for operations and processing of food production.
<b>GMP</b>	• A set of regulations issued by the MOH, which aims to ensure that productions intended for human consumption are safe. It provides guidance for companies to improve food processing facilities.
<b>MeSTI</b>	• MeSTI is a food safety programme undertaken by the MOH, with the objective of putting in place a system where the maintenance of food hygiene and process controls include food safety assurance and food traceability.
<b>HALAL</b>	• Issued by JAKIM, the HALAL certification ensures that the product has complied with the Islamic laws and Malaysia Halal Standard.

Source: Company prospectus

- **Extensive network of supplier across Malaysia.** The supply of bird nest is crucial for MYMBN to perform its processing operations. As at the LPD, it has 18 Approved Suppliers with 224 swiftlet houses (c.10.45% of the total myGAP certified swiftlet

houses in Malaysia), whom they source the raw bird's nest from.

- **First company to be approved by the GACC.** Being the first company to be approved by the General Administration of customs of the PRC, MYMBN supplies RUCEBN to the PRC and will be able to establish themselves as the preferred supplier of the RUCEBN. Based on FY20-22, more than 98% of the revenue is generated from PRC. Do note that Malaysia is one of the major EBN producing countries in the Southeast Asian region, according to Protégé. As at the LPD, according to Chinese Academy of Inspection and Quarantine in 2022, Malaysia is the only country recognized by the PRC for the exportation of RUCEBN.
- **Recovery in China could be the key.** Despite the challenging Zero-Covid policy environment in China during FY20-22, we believe the resumption of business activities coupled with the reopening of international borders may lift the overall consumption demand. Although edible bird's nest is high valued consumer products, we expect the post-Covid health conscious mentality may provide upside demand towards bird's nest that is widely known for health and medicinal benefits such as moisturizing the lung, resolving phlegm, alleviating cough and etc...

## IPO Details

**Fig #5 Utilisation of IPO proceeds**

	Detail of utilisation	Estimated time frame for utilisation	RM ('m)	%
(i)	Purchase of the New facility to expand processing capacity	Within 24 months	2.80	<b>13.6</b>
(ii)	Renovation and fit out works of the New facility	Within 24 months	3.20	15.6
(iii)	Setting up 3 bird's nests collection centres in East Malaysia	Within 24 months	1.68	8.2
(iv)	Expansion into the processing and sale of RCEBN	Within 24 months	1.25	6.1
(v)	Purchase of raw bird's nests for RUCEBN	Within 6 month	6.60	32.1
(iv)	Working capital	Within 12 months	2.05	9.9
(v)	Estimated listing expenses	Within 3 months	3.00	15.6
	<b>Total</b>		<b>20.58</b>	<b>100.0</b>

Source: Company prospectus

## Financials

- **Decent growth since FY20.** MYMBN's has registered a decent growth since FY20-FY22 from RM3.2m to RM5.0m. Although there is a dip for FY22 as compared to FY21 due to Zero-Covid policy in China which has softened the RUCEBN exports quantity to the PRC; exports tonnage had declined from 18,763kg to 15,075 kg during FY22.
- **Expecting a double digit growth into FY24f.** Going forward, we are projecting the core net profit to gain traction from RM5.0m in FY22 to RM5.9-6.9m (+17-19%) for FY23-24f. We are taking a more conservative stance for now banking on the recovery theme in China. Meanwhile, the (i) full expansion plan of the adjacent units of properties with the processing capacity, (ii) penetration of RUCEBN market in Vietnam and (iii) expansion of the business into HALAL ready-to-drink bird's nest products will progressively materialized towards FY25.

## Financial Highlights

FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f
<b>Revenue</b>	44.4	91.6	68.9	89.5	98.5
<b>PBT</b>	0.2	4.3	9.0	6.7	7.8
<b>PATMI - Core</b>	3.2	6.7	5.0	5.9	6.9
<b>PATMI - Reported</b>	3.2	6.7	5.0	5.9	6.9
<b>Revenue growth (%)</b>	273%	106%	-25%	30%	10%
<b>Core PATMI growth (%)</b>	1614%	110%	-26%	19%	17%
<b>Core EPS (sen)</b>	0.8	1.7	1.3	1.5	1.8
<b>P/E (x)</b>	25.3	12.0	16.2	13.7	11.7
<b>P/B (x)</b>	20.0	7.5	5.4	1.7	1.5
<b>ROE (%)</b>	131%	91%	39%	19%	13%
<b>Net Gearing (x)</b>	0.4	CASH	CASH	CASH	CASH

Source: Company prospectus, MSSB Research

## Valuation

- At the IPO offer price of RM0.21, MYMBN is trading at 16.2x based on FY22 core net EPS of 1.3 sen. Meanwhile, MYMBN's forward P/E valuation for FY23-24f is estimated at 13.7x and 11.7x, respectively.
- We arrived at our fair value of RM0.27 (28.5% potential upside from its IPO price) by ascribing a target P/E of 15x to its FY24f EPS of 1.8 sen. The assigned P/E is in line with Bursa Consumer Index (Fig #6) FY24f forward P/E of 14.95x.

**Fig #6 Bursa Consumer Index P/E**

12 Months Ending	2019 Y 12/31/2019	2020 Y 12/31/2020	2021 Y 12/31/2021	2022 Y 12/30/2022	Current 07/10/2023	2023 Y Est 12/30/2023	2024 Y Est 12/30/2024
Valuation Metrics							
Price/Earnings	22.68	-	-	-	19.98	17.36	14.95
Price/Earnings, Positive	15.69	26.14	19.23	17.24	15.63	17.04	14.71
Price/Earnings before ...	18.63	-	-	19.36	18.95		
Price/Book Value	1.53	1.46	1.87	1.43	1.33	1.47	1.41
EV/Sales	1.17	1.32	1.50	1.11	0.97	0.96	0.89
EV/EBIT	16.00	55.74	-	14.91	15.26		
EV/EBITDA	9.94	15.62	-	9.12	9.11	7.72	6.82
Dividend Yield	4.22	2.84	2.53	2.88	3.36	3.54	3.81

Source: Bloomberg

- MYMBN does not adopt a formal dividend policy and we believe the group will be focusing on expansion plans for the near future. However, once they have stabilized with its expansion plans, we believe MYMBN may reward its shareholders. Currently, it has a net cash of 1.3 sen per share.

## Investment risks

- **License(s) renewal from relevant authority.** Currently, it is being approved by the GACC and it has a 5 year license until 2028. This approval is important as it is the main criteria to operate and export EBN products to China. Should MYMBN not able to get approval by then, it may provide significant downside risk to its earnings.
- **Highly reliant on China.** In FY20-22, more than 98% of MYMBN revenue was

generated from the PRC. Hence, any slowdown in demand and decline in orders from China will impact them negatively.

## Disclaimer

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As of **Wednesday, 12 Jul, 2023**, the analyst(s), Loui Low Ley Yee, whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.

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## Stock recommendation guide

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<b>BUY</b>	The share price is expected to appreciate more than 10% over the next 12 months
<b>HOLD</b>	The stock price is expected to range between -10% and +10% over the next 12 months
<b>SELL</b>	The share price is expected to fall more than 10% over the next 12 months
<b>TRADING BUY</b>	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
<b>TRADING SELL</b>	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
<b>NOT RATED</b>	No recommendation is assigned

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