



**UMS**  
UNIVERSITI MALAYSIA SABAH

**FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTANCY**

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**BD20203 MONEY AND CAPITAL MARKET**

**SECTION 2**

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**GROUP ASSIGNMENT II**  
**IPO ANALYSIS**

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## **1.0 THE NATURE OF INITIAL PUBLIC OFFERING (IPO)**

An Initial Public Offering (IPO) is a significant financial event in which a private firm first makes its shares accessible to the public, transforming it from a privately owned corporation to a publicly traded one. An IPO is structured in a number of processes and considerations. First, the firm decides to go public, which is frequently motivated by a desire for additional cash, liquidity for existing stakeholders, and enhanced market visibility. Underwriters, often investment banks, are then hired by the firm to help determine the IPO price, structure the offering, and facilitate the selling of shares.

To generate interest and support for the IPO, the business organises a roadshow to promote its investment thesis to potential institutional investors. When the final IPO price is set, the company's shares are listed on a stock exchange. Trading begins on the day of the IPO, allowing investors to acquire and sell newly issued shares on the open market. Following the IPO, the company is subject to ongoing regulatory reporting requirements, which require it to make periodic updates on its financial performance and operations in order to maintain transparency and investor trust. An IPO is a strategic decision taken by a company seeking expansion opportunities and greater access to funding while negotiating a complex procedure involving financial, legal, and regulatory difficulties.

Initial public offering in conjunction with Radium Development Berhad listing on the main market of Bursa Malaysia Securities Berhad (Bursa Securities) comparison to a public issue of 868,000,000 new ordinary shares in Radium Development Berhad company. Offering divided into four parts which is to Malaysian Public, eligible key senior management, employees and business associates (including any other persons who contributed to company success) and private placement to Bumiputera investor approved by Ministry of International Trade and Industry (MITI) and also selected investor.

## **2.0 TOTAL NEW SHARES ISSUED AND THE IPO PRICE**

1. 273,000,000 issue share available for application by the Malaysian Public
2. 60,000,000 new shares available for application by our Eligible key senior management, employees and business associated (including any other persons who contributed to company success)
3. 435,000,000 new shares by way of private placement to Bumiputera investor approved by Ministry of International Trade and Industry (MITI)
4. 100,000,000 new shares by way of private placement to selected investors.

At an IPO price of RM0.50 per share, payable in full upon application.

### **3.0 BACKGROUND OF COMPANY**

A property developer focusing on Kuala Lumpur, Radium Development Berhad (Radium) is looking to establish itself in the Malaysian market. They launched an Initial Public Offering (IPO) in April 2023 with a listing on Bursa Malaysia Securities Bhd's Main Market in order to accomplish this. Let's examine Radium's history, as detailed in the IPO prospectus that is accessible on the Bursa Malaysia website, in order to obtain a better knowledge of the company.

Humble beginnings, steady growth when Radium was first established in 2015, it concentrated on renovation and development projects in the Klang Valley. By taking a focused approach, they were able to refine their abilities and establish a strong base, showcasing their proficiency in restoring and repurposing pre-existing buildings. By 2020, they had added greenfield development projects to their portfolio, demonstrating their flexibility and capacity to serve a variety of market niches.

“Building for all” Radium's philosophy is centred on its dedication to offering properties that are both appealing and accessible to a wide range of market segments. Their projects, which include landed homes, commercial spaces, and reasonably priced luxury apartments, are designed to accommodate a wide variety of demands and lifestyles. They are in a good position within the changing Malaysian real estate market because of their comprehensive attitude.

Guiding Radium's vision are two industry veterans Dato' Seri Tan Boon Huat and Datuk Chu Chee Ming. Dato' Seri Tan brings over 30 years of experience in the construction and property sectors, while Datuk Chu boasts extensive expertise in financial management and corporate governance. Their combined leadership fosters a culture of stability and strategic thinking, crucial for navigating the competitive property market.

The financial performance of Radium shows a steady growing trend. The business demonstrated its capacity to produce steady revenue in 2022 with an astounding RM59.5 million in sales. Their first public offering (IPO) is expected to bring in RM 434 million, mostly for working capital needs, project development, and property purchase. Radium's expansion goals are made possible by these investments, which also guarantee their ongoing growth and market relevance.

Like every expanding business, Radium has its share of difficulties. Because of the fierce competition in the Malaysian real estate market as well as possible changes in the economy, a flexible and adaptive strategy is required. However, Radium has a significant competitive advantage thanks to their emphasis on affordable homes, as well as their capable leadership and solid financial results.

## 4.0 INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND DIRECTORS.

### 4.1 Promoters and Substantial Shareholders

The following are the shareholdings of promoters and substantial shareholders in Radium Development Berhad before and after IPO:

Name	Nationality/ Country of incorporation	Before the IPO				After the IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	% <sup>(i)</sup>	No. of Shares	% <sup>(i)</sup>	No. of Shares	% <sup>(i)</sup>	No. of Shares	% <sup>(i)</sup>
<b>Promoter and substantial shareholder</b>									
Datuk Gan Kah Siong	Malaysian	546,000,000	21.00	1,300,002,167 <sup>(iii)</sup>	50.00	546,000,000	15.74	1,300,002,167 <sup>(iii)</sup>	37.49
Gan Tiong Kian	Malaysian	260,000,000	10.00	78,002,167 <sup>(iv)</sup>	3.00	260,000,000	7.50	78,002,167 <sup>(iv)</sup>	2.25
Gan Kok Peng	Malaysian	260,000,000	10.00	39,002,167 <sup>(v)</sup>	1.50	260,000,000	7.50	39,002,167 <sup>(v)</sup>	1.12
Cengal 2020 Sdn Bhd	Malaysia	1,300,000,000	50.00	-	-	1,300,000,000	37.49	-	-
<b>Promoter</b>									
Java Citarasa Sdn Bhd	Malaysia	78,000,000	3.00	-	-	78,000,000	2.25	-	-
Tambun Team Sdn Bhd	Malaysia	39,000,000	1.50	-	-	39,000,000	1.12	-	-

Table 1: Promoters and Substantial Shareholders

Based on the information, Datuk Gan Kah Siong was the biggest shareholder in Radium Development Berhad which had a total of 546 million shares directly before and after the IPO. He deemed interested by virtue of the shareholdings of the equity interest of all substantial shareholder and promoter pursuant to Section 8 of the Act.

### 4.2 Directors' Shareholdings

The following list are the directors' shareholdings in Radium Development Berhad for their details of allocation of Public Issue Shares, assuming that the directors will fully subscribe for their respective entitlements under the Pink Form Allocations:

Name	Nationality	Before the IPO				After the IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	% <sup>(i)</sup>	No. of Shares	% <sup>(i)</sup>	No. of Shares	% <sup>(i)</sup>	No. of Shares	% <sup>(i)</sup>
Tan Sri Mhd Amin Nordin bin Abd Aziz	Malaysian	-	-	-	-	-	-	-	-
Datuk Gan Kah Siong	Malaysian	546,000,000	21.00	1,300,002,167 <sup>(iii)</sup>	50.00	546,000,000	15.74	1,300,002,167 <sup>(iii)</sup>	37.49
Gan Tiong Kian	Malaysian	260,000,000	10.00	78,002,167 <sup>(iv)</sup>	3.00	260,000,000	7.50	78,002,167 <sup>(iv)</sup>	2.25
Gan Kok Peng	Malaysian	260,000,000	10.00	39,002,167 <sup>(v)</sup>	1.50	260,000,000	7.50	39,002,167 <sup>(v)</sup>	1.12
Chai Woon Hou	Malaysian	-	-	-	-	-	-	-	-
Datuk Sydney	Malaysian	-	-	-	-	-	-	-	-
Nor Zaemah binti Dato' Zainuddin	Malaysian	-	-	-	-	-	-	-	-
Koay Lean Lee	Malaysian	-	-	-	-	-	-	-	-
Nurazlin binti A. Samad	Malaysian	-	-	-	-	-	-	-	-
Phang Sweet Lee	Malaysian	-	-	-	-	-	-	-	-

Table 2: Directors' Shareholding

From the information on table 2, Datuk Gan Kah Siong was the biggest shareholder in Radium Development Berhad which had a total of 546 million shares directly before and after the IPO. He deemed interested by virtue of the shareholdings of the equity interest of all substantial shareholder and promoter pursuant to Section 8 of the Act.

### 4.3 Key Senior Management

The following are the management reporting structure of Radium Development Berhad:

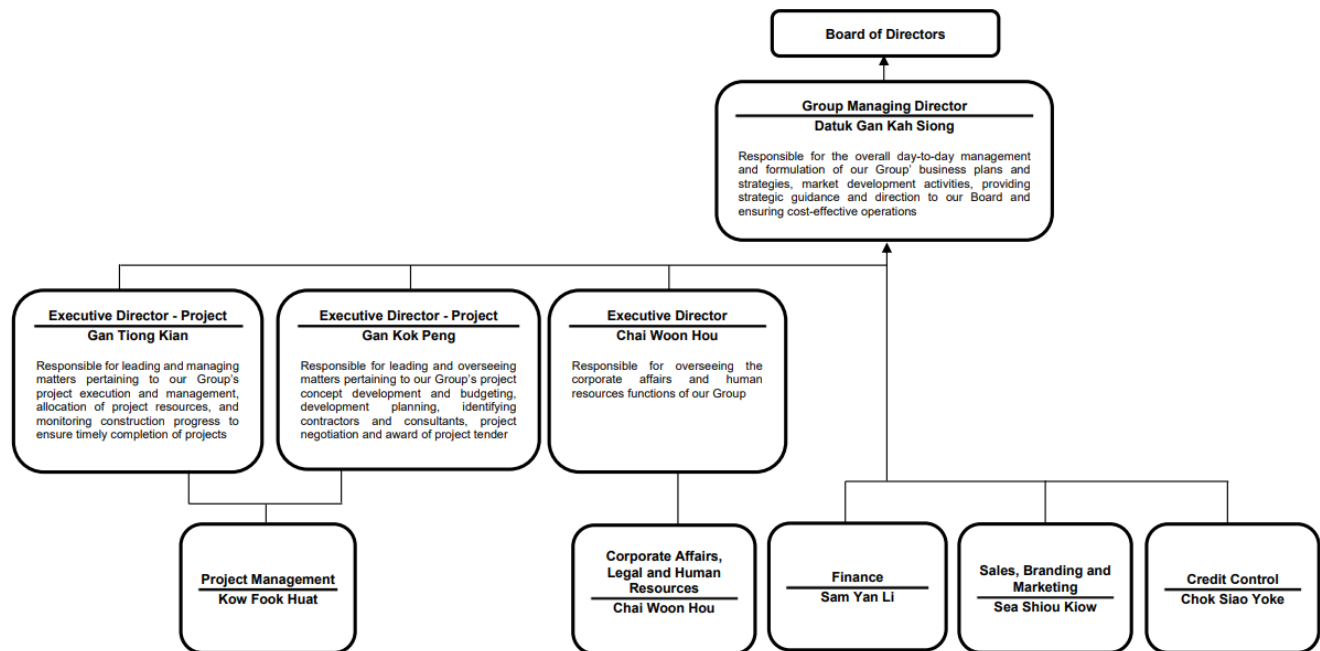


Diagram 1: The Management Reporting Structure

#### 4.3.1 Board Practices

- (a) Evaluate and appraise the appropriateness of any transactions involving related parties and circumstances involving conflicts of interest within the company, while adhering to applicable rules and regulations.
- (b) Examine major results from internal investigations and evaluate management's response.
- (c) Before presenting them to the Board, review preliminary circulars pertaining to obtaining shareholder approval for recurring revenue or trading transactions with connected parties.
- (d) Assume supervision and strategic management responsibilities for major sustainability issues designated by the Board.
- (e) Consider any other topics indicated by the Board.

## 5.0 WHY AND HOW THE IPO PROCEEDS WILL BE UTILISED

The proceeds of RM434.00 million to be raised from our Public Issue is expected to be utilised in the following manner:

Details of utilisation	RM' million	%	Estimated timeframe upon our Listing
Acquisition of landbank and/or development expenditure	171.00	39.40	Within 36 months
Repayment of bank borrowings	93.87	21.63	Within 24 months
Hotel construction	109.30	25.18	Within 36 months
Working capital	39.83	9.18	Within 24 months
Estimated listing expenses	20.00	4.61	Immediate
<b>Total</b>	<b>434.00</b>	<b>100.00</b>	

### i. Acquisition of landbank & development expenditure

Radium Development Berhad plans to spend RM171.00 million (39.40% of IPO proceeds) on land acquisition for future high-rise residential developments in Klang Valley. Three plots of land have been identified, two for acquisition from a linked party and one for collaboration. A joint venture agreement for a proposed development in Kuala Lumpur has been signed with Kadar Jutajaya Sdn Bhd. The project is currently in planning, with construction set to begin in the first half of 2024. The project will be funded by internal resources, IPO revenues, and/or bank borrowings. The business intends to use the IPO proceeds to acquire land and build projects, with any shortfall being met by internal funds or bank borrowings. If no appropriate land possibilities occur, any remaining earnings will be used to provide working capital.

### ii. Repayment of bank borrowings

Radium Development Berhad intends to allocate RM93.87 million, representing approximately 21.63% of our IPO proceeds, to partially repay the bank borrowings to settle the term loan which is attributable to the acquisition of land and development cost. As at the LPD, the total outstanding amount of the bank borrowings stood at RM42.29 million as follows:

Company	Type of banking facilities/ Purpose	Date of letter of offer by the bank	Interest rate per annum	Maturity date	Outstanding amount as at the LPD RM'000	Proposed repayment RM'000
Pavilion Integrity	Term loan <sup>(i)</sup> To part finance the acquisition of a development land held under Geran 80346, Lot 20069 Seksyen 90 for Residensi Platinum Mira	30 October 2017	BLR	12 February 2023	5,781	5,781
Fitrah Resources	Commodity Murabahah Term Financing-i 1 (CMTF-i 1) <sup>(ii)</sup> To reimburse the land alienation premium payable to Pejabat Pengarah Tanah Dan Galian Wilayah Persekutuan to acquire a parcel of vacant development land held under PN 53589, Lot 481729	21 September 2020	BFR - 2.00%	7 December 2025	22,637	20,797
Fitrah Resources	Commodity Murabahah Term Financing-i 5/Bridging Finance 2 (CMTF-i 5/BF 2) <sup>(iii)</sup> To part finance the building construction cost for the proposed development project under PN 53589, Lot 481729 i.e., apartment building, car park podium, building landscape design, infrastructure cost, foundation and piling works	26 July 2022	Cost of funds + 2.25%	25 July 2028	(iii)	(iii)
Idaman Sejiwa (Ampang)	Term loan <sup>(iv)</sup> To finance land cost and development cost for a parcel of vacant development land held under HSM 604 Lot PT 256 and Geran 80347 Lot 80133 for commercial-residential development comprising one (1) tower of SOHO together with the hotel component	31 March 2022	BLR + 0.50%	30 November 2025	13,871	13,871
					<b>Total</b>	<b>42,289</b>
						<b>93,871</b>

Radium Development Berhad plans to allocate RM93.87 million, approximately 21.63% of their IPO proceeds, for the partial repayment of bank borrowings related to the acquisition of land and development costs. As of the Last Practicable Date (LPD), the outstanding amount of bank borrowings stands at RM42.29 million, with detailed breakdowns including a term loan for the acquisition of development land and for and development costs for a commercial-residential development project. Commodity Murabahah Term Financing-i for land alienation premium reimbursement and building construction cost. The proposed repayment amounts for each facility are specified, ensuring transparency in the allocation of funds for debt settlement.

### iii. Hotel construction

The total estimated Gross Development Cost (GDC) for the project, excluding land costs, is RM391.50 million. Specifically, the construction cost for the hotel is projected at RM109.30 million, with a detailed breakdown as the construction works at RM68,486,000 (62.66%), interior fit-out and loose furniture at RM27,638,000 (25.29%), hotel security and IT system at RM4,000,000 (3.66%), contingencies at RM2,466,000 (2.26%), professional fees at RM2,930,000 (2.68%), and authority and other fees at RM3,780,000 (3.46%). If the actual construction cost surpasses expectations, any deficit will be covered through internally generated funds.

### iv. Working capital

Radium Development Berhad intends to allocate RM39.83 million, representing approximately 9.18% of our IPO proceeds, for the working capital for our Group’s day-to-day operations. The breakdown of the working capital is as follows:

	RM' million	%
General and administration expenses <sup>(i)</sup>	7.38	18.53
Marketing expenses, branding and sales commission	14.00	35.15
Staff costs	18.45	46.32
<b>Total</b>	<b>39.83</b>	<b>100.00</b>

The breakdown of this allocation includes RM7.38 million (18.53%) for general and administrative expenses, RM14.00 million (35.15%) for marketing expenses, branding, and sales commission, and RM18.45 million (46.32%) for staff costs. This strategic distribution aims to ensure a well-rounded financial foundation to cover various operational aspects, from administrative overheads to marketing initiatives and staff-related expenditures, supporting the sustained functionality of the company.



## v. Estimated listing expenses

The details of our listing expenses are as follows:

	<b>RM' million</b>
Professional fees	5.70
Fees to authorities	1.10
Brokerage, placement fees and underwriting commission	10.10
Printing, advertisement and other incidental charges relating to our IPO	3.10
<b>Total</b>	<b>20.00</b>

The company outlines the details of its listing expenses, amounting to RM20.00 million, as follows: professional fees at RM5.70 million, fees to authorities at RM1.10 million, brokerage, placement fees, and underwriting commission at RM10.10 million, and printing, advertisement, and other incidental charges related to the IPO at RM3.10 million. Any variation in actual expenses will be balanced by adjusting the allocation from the working capital.

## 6.0 HOW THE IPO PRICE WAS DETERMINED

The IPO Price of RM0.50 per Share was determined after taking into consideration of the following factors:

(a) **PE Multiple of approximately 17.06 times** based on audited combined EPS of 2.93 sen for FYE 2021, calculated based on audited combined PAT attributable to owners of Radium Development Berhad of RM101.59 million and enlarged issued share capital of 3,468,000,000 shares.

(b) Pro forma consolidated **NA Per Share** as 31 October 2022 after this IPO and utilisation of proceeds of **RM0.23**, calculated based on pro forma consolidated NA as at 31 October 2022 of RM804.86 million and enlarged share capital of 3,468,000,000 shares upon listing.

(c) Combined financial track record for FYE 2019 to FYE 2021, summarised as follows:

	<b>Audited</b>		
	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	472,806	588,067	563,691
GP	147,616	166,072	178,102
PAT attributable to owners of the company	127,999	87,894	101,589

Table 3: Financial track record from 2019 to 2021

Pro forma Na per share for this company was utilisation of proceeds of RM0.23. Referring to the issue price which is RM0.50, we concluded that it is not to overprice.

## 7.0 ANALYSIS ON THE FINANCIAL INFORMATION

FYE (000)	2019	2020	2021	2022	2023E	2024F
REVENUE	472,806	588,067	563,691	302,011	317,112	332,967
COST OF SALES	(325,190)	(421,995)	(385,589)	(170,529)	-209,294	-219,758
<b>GROSS PROFIT (GP)</b>	<b>147,616</b>	<b>166,072</b>	<b>178,102</b>	<b>131,482</b>	<b>107,818</b>	<b>113,209</b>
OTHER INCOME	44,691	806	1,098	47,912	19,027	19,978
SELLING AND DISTRIBUTION EXPENSES	(15,560)	(18,897)	(15,671)	(12,780)	-9,513	-9,989
ADMINISTRATIVE EXPENSES	(3,838)	(6,219)	(10,787)	(9,700)	-5,708	-5,993
OTHER OPERATING EXPENSES	(321)	(1,068)	(1,789)	(20,568)	-6,342	-6,659
FINANCE COSTS	(9,186)	(8,967)	(6,052)	(2,823)	-4,122	-4,329
<b>PROFIT BEFORE TAX (PBT)</b>	<b>163,402</b>	<b>131,727</b>	<b>144,901</b>	<b>133,523</b>	<b>47,567</b>	<b>49,945</b>
TAX EXPENSES	(28,801)	(32,733)	(35,951)	(41,440)	-25,369	-26,637
<b>PROFIT AFTER TAX (PAT)</b>	<b>127,999</b>	<b>87,894</b>	<b>101,589</b>	<b>89,585</b>	<b>72,936</b>	<b>76,582</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>134,601</b>	<b>98,994</b>	<b>108,950</b>	<b>92,083</b>	<b>22,198</b>	<b>23,308</b>
share capital	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000

TREND ANALYSIS					
FYE	2019	2020	2021	2022	AVERAGE
REVENUE		24.38	-4.15	-46.42	-8.73
COST OF SALES		29.77	-8.63	-55.77	-11.54
<b>GROSS PROFIT (GP)</b>		12.50	7.24	-26.18	-2.14
OTHER INCOME		-98.20	36.23	4,263.57	1400.53
SELLING AND DISTRIBUTION EXPENSES		21.45	-17.07	-18.45	-4.69
ADMINISTRATIVE EXPENSES		62.04	73.45	-10.08	41.80
OTHER OPERATING EXPENSES		232.71	67.51	1,049.69	449.97
FINANCE COSTS		-2.38	-32.51	-53.35	-29.42
<b>PROFIT BEFORE TAX (PBT)</b>		-19.38	10.00	-7.85	-5.75
TAX EXPENSES		13.65	9.83	15.27	12.92
<b>PROFIT AFTER TAX (PAT)</b>		-31.33	15.58	-11.82	-9.19
<b>TOTAL COMPREHENSIVE INCOME</b>		-26.45	10.06	-15.48	-10.63

The trend analysis of the company's financial performance from 2019 to 2022 reveals a mixed picture. Revenue exhibited positive growth in 2019 but saw consecutive declines in the following years, resulting in an average decrease of approximately 8.73%. Cost of Sale (COS) fluctuated, with a significant decrease in 2021, leading to an average change of approximately -11.54%. Gross profit margins showed variability, experiencing a notable decline in 2021, with an average change of approximately -2.14%. Other income demonstrated substantial variations, particularly in 2021, contributing significantly to the overall financial performance, with an average change of approximately 1400.53%. Operating profit faced fluctuations, with a decline in 2021, resulting in an average change of approximately -6.95%. Finance costs exhibited fluctuations with a significant decrease in 2021, averaging approximately -29.42%. Profit Before Tax (PBT) displayed variations, notably declining in

2021, with an average change of approximately -5.75%. Income tax expenses fluctuated, with the highest increase in 2022, averaging approximately 12.92%. Profit After Tax (PAT) and Total Comprehensive Income both showed fluctuations, with a decline in 2021, averaging approximately -9.19%. Overall, while the company faced challenges in revenue and profit metrics, the substantial increase in other income and effective cost management in certain areas contributed to specific positive trends in its financial performance over the analysed period. Stakeholders should closely monitor these trends and consider the underlying factors influencing the company's overall financial health.

COMMON SIZE ANALYSIS						
FYE	2019	2020	2021	2022	AVERAGE	
REVENUE	100	100	100	100	100.00	
COST OF SALES	-68.78	-71.76	-68.40	-56.46	-65.54	-66.19
<b>GROSS PROFIT (GP)</b>	<b>31.22</b>	<b>28.24</b>	<b>31.60</b>	<b>43.54</b>	<b>34.46</b>	<b>33.81</b>
OTHER INCOME	9.45	0.14	0.19	15.86	5.40	6.21
SELLING AND DISTRIBUTION EXPENSES	-3.29	-3.21	-2.78	-4.23	-3.41	-3.38
ADMINISTRATIVE EXPENSES	-0.81	-1.06	-1.91	-3.21	-2.06	-1.81
OTHER OPERATING EXPENSES	-0.07	-0.18	-0.32	-6.81	-2.44	-1.96
FINANCE COSTS	-1.94	-1.52	-1.07	-0.93	-1.18	-1.33
<b>PROFIT BEFORE TAX (PBT)</b>	<b>34.56</b>	<b>22.40</b>	<b>25.71</b>	<b>44.21</b>	<b>30.77</b>	<b>31.53</b>
TAX EXPENSES	-6.09	-5.57	-6.38	-13.72	-8.56	-8.06
<b>PROFIT AFTER TAX (PAT)</b>	<b>27.07</b>	<b>14.95</b>	<b>18.02</b>	<b>29.66</b>	<b>20.88</b>	<b>22.12</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>28.47</b>	<b>16.83</b>	<b>19.33</b>	<b>30.49</b>	<b>22.22</b>	<b>23.47</b>

The common size analysis for 2019 to 2022 highlights key trends as a percentage of total revenue. Notably, Cost of Sale (COS) decreased to 56.46% in 2022 from 68.78% in 2019, while Gross Profit (GP) and Operating Profit increased to 43.54% and 45.15%, respectively, in 2022. Other Income had a significant surge to 15.86% in 2022. Marketing Expenses remained relatively stable around 3.41%, while Administrative Expenses increased to 3.21% in 2022. Other Operating Expenses saw a notable rise to 6.81% in 2022. Finance Costs remained modest at an average of 1.18%. Profit Before Tax (PBT) and Profit After Tax (PAT) showed an upward trend, reaching 44.21% and 29.66%, respectively, in 2022. This common size analysis underscores positive shifts in profitability, notably driven by increased Gross Profit and Other Income, with areas of focus on controlling Operating Expenses for optimal financial performance.

FINANCIAL RATIO ANALYSIS							
FYE	2019	2020	2021	2022	2023E	2024F	
a) Liquidity ratio							
b) Profitability ratio							
gross profit ratio	31.22	28.24	31.60	43.54			
PBT ratio	34.56	22.40	25.71	44.21			
net profit ratio	27.07	14.95	18.02	29.66			
c) Efficiency ratio							
d) Gearing ratio							
e) Market valuation ratio							
offer price rm	0.50						
net eps rm	0.05	0.03	0.04	0.03	0.03	0.03	
net eps sen	4.92	3.38	3.91	3.45	2.81	2.95	
price earning ratio per	10.16	14.79	12.80	14.51	17.82	16.98	14.03
decision							
offer price rm	0.50						
NTAB	0.23	DON'T BUY	overpriced				
estimated price based on market per @ 20x (RM)	0.56	BUY	under priced				
average per @ 15x (RM)	0.42	DON'T BUY	overpriced				
industry per @13x (RM)	0.64	BUY	under priced				

The financial ratio analysis reveals significant trends in the company's profitability and market valuation during the specified fiscal years. The gross profit ratio displays an upward trajectory, reaching 43.54% in 2022, indicating enhanced profitability in revenue generation after accounting for the cost of goods sold. Similarly, the PBT (Profit Before Tax) and net profit ratios demonstrate notable improvements, soaring to 44.21% and 29.66%, respectively, in 2022. These ratios reflect the company's adeptness at generating profits before and after tax, showcasing its efficiency in translating revenue into net profit. However, the absence of information on liquidity, efficiency, and gearing ratios limits a comprehensive assessment of operational efficiency and financial risk. The market valuation ratios, including the decline in net EPS and fluctuations in the P/E ratio from 10.16 in 2019 to a projected 16.98 in 2024, indicate shifts in investor sentiment and market dynamics. The offer price of RM 0.50, coupled with changes in net EPS and the P/E ratio, underscores evolving market perceptions and expectations. For a more thorough analysis, additional details on efficiency and gearing would be essential.

## **8.0 EVALUATION ON THE IPO PRICE (WHETHER UNDERPRICED, OVERPRICED OR FAIRLY PRICED)**

Overall, investment bankers act as intermediaries between companies seeking financial services and the investors looking to deploy their capital. Their expertise in financial markets, combined with their ability to structure and execute complex transactions, makes them integral to the functioning of the global financial system.

The current price of Radium Development Berhad is RM0.50 while Net Tangible Assets (NTAB) is priced at RM0.23. This indicates that NTAB RM0.23 is trading at a much higher price than the current trading price RM0.50 and this indicates that the price of Radium Development Berhad is overpriced. An overvalued asset occurs when an investment trades for more than its intrinsic value. In addition, with a Net EPS ratio of Radium Development Berhad 0.05, Est price based on market is RM0.56 and the average is RM0.64. Compared to the company's current price of RM0.23, this shows that Est price based on market and average is under-priced because both are priced much lower than the trading price.

To sum up, In the context of IPOs, if the offer price is perceived as underpriced, there is often high demand from investors, leading to widespread buying of shares. Conversely, if the IPO is considered too expensive, insiders may hesitate to buy, and external investors, aware of the high valuation, might also be less inclined to participate. The success of an IPO often depends on finding the right balance in setting an offer price that attracts investors while reflecting the company's true value.

## 9.0 REFERENCES

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## 10.0 APPENDICES

FYE (000)	2019	2020	2021	2022	2023E	2024F
REVENUE	472,806	588,067	563,691	302,011	317,112	332,967
COST OF SALES	(325,190)	(421,995)	(385,589)	(170,529)	-209,294	-219,758
<b>GROSS PROFIT (GP)</b>	<b>147,616</b>	<b>166,072</b>	<b>178,102</b>	<b>131,482</b>	<b>107,818</b>	<b>113,209</b>
OTHER INCOME	44,691	806	1,098	47,912	19,027	19,978
SELLING AND DISTRIBUTION EXPENSES	(15,560)	(18,897)	(15,671)	(12,780)	-9,513	-9,989
ADMINISTRATIVE EXPENSES	(3,838)	(6,219)	(10,787)	(9,700)	-5,708	-5,993
OTHER OPERATING EXPENSES	(321)	(1,068)	(1,789)	(20,568)	-6,342	-6,659
FINANCE COSTS	(9,186)	(8,967)	(6,052)	(2,823)	-4,122	-4,329
<b>PROFIT BEFORE TAX (PBT)</b>	<b>163,402</b>	<b>131,727</b>	<b>144,901</b>	<b>133,523</b>	<b>47,567</b>	<b>49,945</b>
TAX EXPENSES	(28,801)	(32,733)	(35,951)	(41,440)	-25,369	-26,637
<b>PROFIT AFTER TAX (PAT)</b>	<b>127,999</b>	<b>87,894</b>	<b>101,589</b>	<b>89,585</b>	<b>72,936</b>	<b>76,582</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>134,601</b>	<b>98,994</b>	<b>108,950</b>	<b>92,083</b>	<b>22,198</b>	<b>23,308</b>
share capital	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000

### TREND ANALYSIS

FYE	2019	2020	2021	2022	AVERAGE
REVENUE		24.38	-4.15	-46.42	-8.73
COST OF SALES		29.77	-8.63	-55.77	-11.54
<b>GROSS PROFIT (GP)</b>		12.50	7.24	-26.18	-2.14
OTHER INCOME		-98.20	36.23	4,263.57	1400.53
SELLING AND DISTRIBUTION EXPENSES		21.45	-17.07	-18.45	-4.69
ADMINISTRATIVE EXPENSES		62.04	73.45	-10.08	41.80
OTHER OPERATING EXPENSES		232.71	67.51	1,049.69	449.97
FINANCE COSTS		-2.38	-32.51	-53.35	-29.42
<b>PROFIT BEFORE TAX (PBT)</b>		-19.38	10.00	-7.85	-5.75
TAX EXPENSES		13.65	9.83	15.27	12.92
<b>PROFIT AFTER TAX (PAT)</b>		-31.33	15.58	-11.82	-9.19
<b>TOTAL COMPREHENSIVE INCOME</b>		-26.45	10.06	-15.48	-10.63

### COMMON SIZE ANALYSIS

FYE	2019	2020	2021	2022	AVERAGE
REVENUE	100	100	100	100	100.00
COST OF SALES	-68.78	-71.76	-68.40	-56.46	-65.54
<b>GROSS PROFIT (GP)</b>	<b>31.22</b>	<b>28.24</b>	<b>31.60</b>	<b>43.54</b>	<b>33.81</b>
OTHER INCOME	9.45	0.14	0.19	15.86	5.40
SELLING AND DISTRIBUTION EXPENSES	-3.29	-3.21	-2.78	-4.23	-3.41
ADMINISTRATIVE EXPENSES	-0.81	-1.06	-1.91	-3.21	-2.06
OTHER OPERATING EXPENSES	-0.07	-0.18	-0.32	-6.81	-2.44
FINANCE COSTS	-1.94	-1.52	-1.07	-0.93	-1.18
<b>PROFIT BEFORE TAX (PBT)</b>	<b>34.56</b>	<b>22.40</b>	<b>25.71</b>	<b>44.21</b>	<b>30.77</b>
TAX EXPENSES	-6.09	-5.57	-6.38	-13.72	-8.56
<b>PROFIT AFTER TAX (PAT)</b>	<b>27.07</b>	<b>14.95</b>	<b>18.02</b>	<b>29.66</b>	<b>20.88</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>28.47</b>	<b>16.83</b>	<b>19.33</b>	<b>30.49</b>	<b>22.22</b>



FINANCIAL RATIO ANALYSIS							
FYE	2019	2020	2021	2022	2023E	2024F	
a) Liquidity ratio							
b) Profitability ratio							
gross profit ratio	31.22	28.24	31.60	43.54			
PBT ratio	34.56	22.40	25.71	44.21			
net profit ratio	27.07	14.95	18.02	29.66			
c) Efficiency ratio							
d) Gearing ratio							
e) Market valuation ratio							
offer price rm	0.50						
net eps rm	0.05	0.03	0.04	0.03	0.03	0.03	
net eps sen	4.92	3.38	3.91	3.45	2.81	2.95	
price earning ratio per	10.16	14.79	12.80	14.51	17.82	16.98	14.03
<b>decision</b>							
offer price rm	0.50						
NTAB	0.23	DON'T BUY	overpriced				
estimated price based on market per @ 20x (RM)	0.56	BUY	under priced				
average per @ 15x (RM)	0.42	DON'T BUY	overpriced				
industry per @13x (RM)	0.64	BUY	under priced				