

SLP Resources Bhd

Absence of fresh leads alongside muted trading activities

Summary

- SLP Resources Bhd's (SLP) long-term prospects remain lackluster owing to the absence of fresh leads, while we expect shipments to European countries to remain out of the picture. While commitment to adopt automation and digitalisation process are in progress, improvement in margins are expected to be negated by the upward revision of electricity tariff under the Imbalance Cost Pass Through (ICPT) mechanism over a 6-month period from January 2023 till June 2023 and higher labour cost.
- We remain cautious in view of the on-going geopolitical tension between Ukraine and Russia as well as the recovery in supply from European countries following the fall in gas prices. Given that demand may stabilise, we expect SLP's plant utilisation rate to come by at c.60.0% for FY23f (from c.50.0% in F22) with the group shifting their focus onto the production and sales of higher margins products.
- Moving forward, the key overseas markets such as Japan, Australia and New Zealand are expected to contribute to the revenue, given that demand for kitchen bags, kangaroo pouch and mono film remained well received. Still, local sales which make up to 59.2% of total revenue in FY22 are expected to remain flat for FY23f.
- We are ceasing coverage on SLP due to the lack of both retail and institutional interest as well as reallocation of internal resources. We expect trading activities to remain muted with 3-months average trading volume slipping to 34,823, representing only 1.1% of total enlarged share issued. Nevertheless, prospective dividend yields at 6.6% and 7.1% for FY23f and FY24f respectively is fairly attractive for longer term investment horizon.
- Our last recommendation on SLP was **HOLD** with a fair value at RM0.94. The fair value is derived from ascribing a target PER of 15.0x to its FY22f EPS of 6.2 sen.

Ceasing Coverage Note

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HOLD

Share price	RM0.915
Target price	-
Previous TP	RM0.94
Capital upside	-
Dividend return	-
Total return	-

Company profile

Manufacturing of plastic packaging and trading polymers and related products

Stock information

Bursa Code	7248
Bloomberg ticker	SLPR MK
Listing market	Main
Share issued (m)	317.0
Market Cap (m)	290.0
52W High/Low	1.09/0.86
Est. Free float	14.8%
Beta (x)	0.6
3-mth avg vol ('000)	34.8
Shariah compliant	Yes

Major shareholders

	%
Khoon Tee & Family SB	41.5
Khaw Seang Chuan	15.0
Khaw Khoon Tee	9.9

Share price vs. KLCI (%)

	1M	3M	12M
Hist. return	-1.6	-5.1	6.6
Absolute	1.2	0.5	0.1
Relative			

Earnings summary

FYE (Dec)	FY22	FY23f	FY24f
PATMI (m)	15.5	19.8	22.1
EPS (sen)	4.9	6.2	7.0
P/E (x)	18.7	14.6	13.1

Relative performance chart



Financial Highlights

All items in (RM m) unless otherwise stated

Income Statement						Balance Sheet					
FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f	FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f
Revenue	147.0	168.9	185.7	209.0	223.0	Cash	74.4	77.2	83.4	89.4	97.9
EBITDA	28.4	28.9	30.7	29.3	31.8	Receivables	29.7	31.3	31.4	32.9	35.1
EBIT	21.6	22.6	24.3	23.3	25.9	Inventories	36.4	35.5	45.1	46.7	49.8
Net finance income/(cost)	0.9	0.7	1.2	1.4	1.7	PPE	65.4	61.9	59.4	58.7	58.4
Associates & JV	-	-	-	-	-	Others	10.6	9.8	10.0	11.0	13.1
Profit before tax	22.5	23.3	25.5	24.8	27.6	Assets	216.4	216.6	229.3	238.7	255.4
Tax	(6.0)	(5.6)	(5.0)	(5.0)	(5.5)	Debts	-	-	-	-	1.0
Net profit	16.5	17.7	20.6	19.8	22.1	Payables	20.4	16.7	20.8	21.0	21.2
Minority interest	-	-	-	-	-	Others	14.2	14.2	15.4	23.8	37.7
Core earnings	16.5	17.7	15.5	19.8	22.1	Liabilities	34.6	30.9	36.2	44.8	59.9
Exceptional items	-	-	5.1	-	-	Shareholder's equity	181.8	185.7	193.1	193.9	195.5
Reported earnings	16.5	17.7	20.6	19.8	22.1	Minority interest	-	-	-	-	-
Cash Flow Statement						Equity	181.8	185.7	193.1	193.9	195.5
FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f	Valuation & Ratios					
Profit before taxation	22.5	23.3	25.5	24.8	27.6	FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f
Depreciation & amortisation	6.8	6.3	6.4	5.9	5.9	Core EPS (sen)	5.2	5.6	4.9	6.2	7.0
Changes in working capital	7.2	(2.2)	5.0	3.1	3.2	P/E (x)	17.6	16.4	18.7	14.6	13.1
Share of JV profits	-	-	-	-	-	DPS (sen)	5.5	5.5	6.0	6.0	6.5
Taxation	(6.0)	(5.6)	(5.0)	(5.0)	(5.5)	Dividend yield	6.0%	6.0%	6.6%	6.6%	7.1%
Others	-	-	-	-	-	BVPS (RM)	0.57	0.59	0.61	0.61	0.62
Operating cash flow	21.3	24.6	20.2	32.6	37.3	P/B (x)	1.6	1.6	1.5	1.5	1.5
Net capex	(0.4)	(2.9)	(3.9)	(5.2)	(5.6)	EBITDA margin	19.3%	17.1%	16.5%	14.0%	14.3%
Others	-	-	-	-	-	EBIT margin	14.7%	13.4%	13.1%	11.2%	11.6%
Investing cash flow	0.3	2.2	5.0	4.8	7.3	PBT margin	15.3%	13.8%	13.7%	11.8%	12.4%
Changes in borrowings	-	-	-	-	-	PAT margin	11.2%	10.5%	11.1%	9.5%	9.9%
Issuance of shares	-	-	-	-	-	Core PAT margin	11.2%	10.5%	8.4%	9.5%	9.9%
Dividends paid	(17.4)	(17.4)	(17.4)	(19.0)	(20.6)	ROE	9.1%	9.5%	8.0%	10.2%	11.3%
Others	-	-	-	-	-	ROA	7.6%	8.2%	6.8%	8.3%	8.7%
Financing cash flow	(17.4)	(17.4)	(17.4)	(19.0)	(20.6)	Net gearing	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
Net cash flow	0.3	2.2	5.0	4.8	7.3						
Forex	(0.1)	0.6	1.2	1.2	1.2						
Others	-	-	-	-	-						
Beginning cash	74.2	74.4	77.2	83.4	89.4						
Ending cash	74.4	77.2	83.4	89.4	97.9						