# **Stock Digest**

Tuesday, 25 Apr, 2023

# **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	<u>%</u>
Khoon Tee & Family SB	41.5
Khaw Seang Chuan	15.0
Khaw Khoon Tee	9.9

Share price vs	s. KLCI (	%)	
Hist. return	1M	3M	12M
Absolute	-1.6	-5.1	6.6
Relative	1.2	0.5	0.1

### Earnings summary

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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



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## **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)	- 1
Revenue	147.0	168.9	185.7	209.0	223.0	Cash	
EBITDA	28.4	28.9	30.7	29.3	31.8	Receivables	
EBIT	21.6	22.6	24.3	23.3	25.9	Inventories	
Net finance income/ (cost)	0.9	0.7	1.2	1.4	1.7	PPE	
Associates & JV	-	-	-	-	-	Others	
Profit before tax	22.5	23.3	25.5	24.8	27.6	Assets	2
Tax	(6.0)	(5.6)	(5.0)	(5.0)	(5.5)		
Net profit	16.5	17.7	20.6	19.8	22.1	Debts	
Minority interest	-	-	-	-	-	Payables	
Core earnings	16.5	17.7	15.5	19.8	22.1	Others	
Exceptional items	-	-	5.1	-	-	Liabilities	
Reported earnings	16.5	17.7	20.6	19.8	22.1		
						Shareholder's equity	1
Cash Flow Statement						Minority interest	
FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f	Equity	1
Profit before taxation	22.5	23.3	25.5	24.8	27.6		
Depreciation & amortisation	6.8	6.3	6.4	5.9	5.9	Valuation & Ratios	
Changes in working capital	7.2	(2.2)	5.0	3.1	3.2	FYE Dec (RM m)	-
Share of JV profits	-	-				Core EPS (sen)	
Taxation	(6.0)	(5.6)	(5.0)	(5.0)	(5.5)	P/E (x)	
Others	- 1	-	-	-	- '	DPS (sen)	
Operating cash flow	21.3	24.6	20.2	32.6	37.3	Dividend yield	
.,						BVPS (RM)	
Net capex	(0.4)	(2.9)	(3.9)	(5.2)	(5.6)	P/B (x)	
Others	- 1	-	-	-	- '	**	
Investing cash flow	0.3	2.2	5.0	4.8	7.3	EBITDA margin	
•						EBIT margin	
Changes in borrowings				-		PBT margin	
Issuance of shares	-	-			-	PAT margin	
Dividends paid	(17.4)	(17.4)	(17.4)	(19.0)	(20.6)	Core PAT margin	
Others	-					-	
Financing cash flow	(17.4)	(17.4)	(17.4)	(19.0)	(20.6)	ROE	
•	` '	` '	, ,	` ,	. ,	ROA	
Net cash flow	0.3	2.2	5.0	4.8	7.3	Net gearing	Net C
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		

FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f
Cash	74.4	77.2	83.4	89.4	97.9
Receivables	29.7	31.3	31.4	32.9	35.1
Inventories	36.4	35.5	45.1	46.7	49.8
PPE	65.4	61.9	59.4	58.7	58.4
Others	10.6	9.8	10.0	11.0	13.1
Assets	216.4	216.6	229.3	238.7	255.4
Debts	-		-		1.0
Payables	20.4	16.7	20.8	21.0	21.2
Others	14.2	14.2	15.4	23.8	37.7
Liabilities	34.6	30.9	36.2	44.8	59.9
Shareholder's equity	181.8	185.7	193.1	193.9	195.5
Minority interest	-	-	-	-	-
Equity	181.8	185.7	193.1	193.9	195.5
Valuation & Ratios FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f
Core EPS (sen)	5.2	5.6	4.9	6.2	7.0
P/E (x)	17.6	16.4	18.7	14.6	13.1
DPS (sen)	5.5	5.5	6.0	6.0	6.5
Dividend yield	6.0%	6.0%	6.6%	6.6%	7.1%
BVPS (RM)	0.57	0.59	0.61	0.61	0.62
P/B (x)	1.6	1.6	1.5	1.5	1.5
EBITDA margin	19.3%	17.1%	16.5%	14.0%	14.3%
EBIT margin	14.7%	13.4%	13.1%	11.2%	11.6%
PBT margin	15.3%	13.8%	13.7%	11.8%	12.4%
PAT margin	11.2%	10.5%	11.1%	9.5%	9.9%
Core PAT margin	11.2%	10.5%	8.4%	9.5%	9.9%
ROE	9.1%	9.5%	8.0%	10.2%	11.3%
ROA	7.6%	8.2%	6.8%	8.3%	8.7%
Net gearing	Net Cash				

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