



## SKP Resources Berhad

Still More to Come

**TP: RM1.25 (+23.8%)**

Last traded: RM1.01

**BUY**

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### Review

- SKP Resources posted FY15 net profit of RM42.0mn (+7.3% QoQ, +43.3% YoY). This is within ours and consensus estimates at 99.9% and 97.9% respectively.
- During the year, revenue increased 49.4% YoY to RM616.6mn – underpinned by a ramp up in sales order following better economic conditions. Average utilisation rate stood high at 80-85%. It also started production on two new products for Dyson, namely a bladeless fan and vacuum cleaner.
- Sequentially, the jump in revenue (+29.4% QoQ) was underpinned by full quarter contributions of the two new Dyson products. However, margins declined 1.5%-points to 9.4% – mainly due to the higher amount of components used to manufacture the new products.

### Impact

- Tweak our FY16/FY17 earnings estimates by -1.1%/-0.2% to RM90.9mn/RM118.1mn as we impute year-end figures into our model. Also, introduce our FY18 estimates of RM134.6mn.

### Outlook

- Construction activities for its fifth factory has been completed. Production lines are being commissioned with operations expected to commence in June 2015. This will boost existing capacity by 90%. Supporting expansion plans, it has recently received a contract award (RM400mn) from Dyson for the production of cordless vacuum cleaners. Production of the cordless vacuum cleaners are expected to start in October 2015.
- Acquisition of subsidiaries in its sister company, Tecnic Group Berhad, have been concluded. The enlarged entity is now among the largest plastic contract manufacturers in Malaysia. Bringing a separate customer base, the move also reduces its dependency on Dyson and enhances diversity across industries.

### Valuation

- TP is unchanged at RM1.25/share. This is based on a PE of 14x and CY16 EPS of 8.9sen. Prospects remain bright ahead. We expect the group to continue in its current growth momentum, driven by the completion of its fifth factory and consolidation of earnings from its recent acquisition. Maintain our **BUY** recommendation on the stock.

### Share Information

|                                  |             |
|----------------------------------|-------------|
| Bloomberg Code                   | SKP MK      |
| Stock Code                       | 7155        |
| Listing                          | Main Market |
| Share Cap (mn)                   | 1074.8      |
| Market Cap (RMmn)                | 1085.6      |
| Par Value                        | 0.10        |
| 52-wk Hi/Lo (RM)                 | 1.05/0.40   |
| 12-mth Avg Daily Vol ('000 shrs) | 4870.4      |
| Estimated Free Float (%)         | 39.6        |
| Beta                             | 1.2         |

### Major Shareholders (%)

Gan Kim Huat - 60.3

### Forecast Revision

|                       | FY16             | FY17  |
|-----------------------|------------------|-------|
| Forecast Revision (%) | (1.1)            | (0.2) |
| Net profit (RMmn)     | 90.9             | 118.1 |
| Consensus             | 90.0             | 126.8 |
| TA's / Consensus (%)  | 101.1            | 93.2  |
| Previous Rating       | Buy (Maintained) |       |

### Financial Indicators

|                     | FY16   | FY17  |
|---------------------|--------|-------|
| Net Debt/Equity (%) | 0.0    | (0.1) |
| CFPS (sen)          | (9.0)  | 8.9   |
| Price/CFPS (x)      | (11.3) | 11.3  |
| ROE (%)             | 39.0   | 34.4  |
| NTA/Share (RM)      | 0.3    | 0.3   |
| Price/NTA (x)       | 4.0    | 3.4   |

### SCORECARD

|              | % of FY |        |
|--------------|---------|--------|
| vs TA        | 99.9    | Within |
| vs Consensus | 97.9    | Within |

### Share Performance (%)

| Price Change | SKP  | FBM KLCI |
|--------------|------|----------|
| 1 mth        | 0.0  | 0.0      |
| 3 mth        | 19.5 | (4.5)    |
| 6 mth        | 57.8 | (0.8)    |
| 12 mth       | 82.0 | (7.2)    |

### (12-Mth) Share Price relative to the FBM KLCI



Source: Bloomberg

**Table 1: Earnings Summary (RMmn)**

| FYE Mar 31        | FY14  | FY15  | FY16F   | FY17F   | FY18F   |
|-------------------|-------|-------|---------|---------|---------|
| Revenue           | 412.8 | 616.5 | 1,373.7 | 1,699.9 | 1,966.2 |
| EBITDA            | 46.9  | 65.6  | 141.3   | 177.6   | 197.9   |
| EBITDA margin (%) | 11.4  | 10.6  | 10.3    | 10.4    | 10.1    |
| Pretax profit     | 39.8  | 57.2  | 121.2   | 157.5   | 179.5   |
| Net profit        | 29.3  | 42.0  | 90.9    | 118.1   | 134.6   |
| Core net profit   | 29.3  | 42.0  | 90.9    | 118.1   | 134.6   |
| EPS (sen)         | 2.3   | 3.4   | 7.3     | 9.4     | 10.7    |
| EPS growth (%)    | -25.9 | 43.3  | 116.3   | 30.0    | 14.0    |
| PER (x)           | 43.1  | 30.1  | 13.9    | 10.7    | 9.4     |
| GDPS (sen)        | 1.7   | 1.6   | 3.6     | 4.7     | 5.4     |
| Div yield (%)     | 1.7   | 1.6   | 3.6     | 4.7     | 5.3     |

**Table 2: FY15 Results Analysis (RMmn)**

| FYE Mar 31                  | 4QFY14 | 3QFY15 | 4QFY15 | QoQ             | YoY             | YTDFY14 | YTDFY15 | YoY  |
|-----------------------------|--------|--------|--------|-----------------|-----------------|---------|---------|------|
| Revenue                     | 123.3  | 150.2  | 194.4  | 29.4            | 57.7            | 412.8   | 616.6   | 49.4 |
| EBITDA                      | 12.8   | 16.4   | 18.3   | 11.5            | 42.9            | 46.9    | 65.6    | 39.9 |
| Depreciation & Amortisation | -2.1   | -2.5   | -2.5   | 2.9             | 21.0            | -8.4    | -9.6    | 14.6 |
| EBIT                        | 10.7   | 14.0   | 15.8   | 13.1            | 47.1            | 38.5    | 55.9    | 45.4 |
| Net finance cost            | 0.3    | 0.3    | 0.2    | -37.2           | -24.8           | 1.3     | 1.2     | -4.9 |
| EI                          | 0.0    | 0.0    | 0.0    | n/a             | n/a             | 0.0     | 0.0     | n/a  |
| PBT                         | 11.0   | 14.3   | 16.0   | 11.9            | 45.3            | 39.8    | 57.2    | 43.8 |
| Adj PBT                     | 11.0   | 14.3   | 16.0   | 11.9            | 45.3            | 39.8    | 57.2    | 43.8 |
| Tax                         | -2.8   | -3.8   | -4.7   | 24.6            | 69.5            | -10.4   | -15.2   | 45.1 |
| MI                          | 0.0    | 0.0    | 0.0    | n/a             | n/a             | 0.0     | 0.0     | n/a  |
| Net profit                  | 8.2    | 10.5   | 11.3   | 7.3             | 37.1            | 29.3    | 42.0    | 43.3 |
| Core net profit             | 8.2    | 10.5   | 11.3   | 7.3             | 37.1            | 29.3    | 42.0    | 43.3 |
| <b>Margins</b>              |        |        |        | <b>%-points</b> | <b>%-points</b> |         |         |      |
| EBITDA margin (%)           | 10.4   | 10.9   | 9.4    | -1.5            | -1.0            | 11.4    | 10.6    | -0.7 |
| EBIT margin (%)             | 8.7    | 9.3    | 8.1    | -1.2            | -0.6            | 9.3     | 9.1     | -0.2 |
| PBT margin (%)              | 8.9    | 9.5    | 8.2    | -1.3            | -0.7            | 9.6     | 9.3     | -0.4 |
| Tax rate (%)                | 25.2   | 26.4   | 29.4   | 3.0             | 4.2             | 26.3    | 26.5    | 0.2  |
| Net profit margin (%)       | 6.7    | 7.0    | 5.8    | -1.2            | -0.9            | 7.1     | 6.8     | -0.3 |

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