



# PT Resources Holdings Berhad

**“Freshest Seafood Stock on The Way”**

**ACE Board  
Consumer**

**IPO Price: RM0.36  
FAIR VALUE: RM0.46  
NOT RATED**

## Valuation

For illustrative purposes, P/E is deployed in the valuation of PT Resources with its earnings growth of 17.6% and 19.0% in FY22 and FY23 respectively. Based on FY23 P/E of 10.0x, the fair value is RM0.46, giving an total return of 30.6% with share return of 27.8% and dividend yield of 2.8%. We are attaching a 14% premium on industry FY23 P/E of 8.6x (excluding QL Resources on excessive valuation and diversified operations) as PT Resources commanding the most superior FY23 ROE of 17.5% against industry of 7.6%.

## Investment Highlights

**Prospects are bright as** (i) the integrated processing facility in Kuantan (KIFPP) is strategically located next to a fish landing jetty in Kuantan with reputable certifications (ii) setting up a new cold storage warehouse located 5km from its KIFPP and MO Wholesale Centre outlet (iii) tapping into the existing network and participating in international exhibitions to expand its export sales and (iv) expanding network of the current 6 MO Foodmart outlets by minimal 3 outlets a year through a licensing business model.

**Earnings are set to improve with the expansion plan in place.** The company has planned to increase its cold storage capacity by 3,300 from 700 to 4,000 tonnes. Currently, the cold rooms are at full capacity at KIFPP and also at the 3rd party storage (4,458 tonnes), after a massive 87.2% increase in revenue in FY22. However, gross margin is on a declining trend of 15.4% in FY21 to 11.1% in FY22 due to (i) higher demand for frozen seafood products at the expense of discounts (ii) increase in global shipping rates (iii) larger order size for China customers at competitive pricing (iv) securing more market share at the wholesale market.

**Revenue to resume double-digit growth in 2023.** We expect the revenue to grow marginally at 8.6% in FY23 from a massive 87.2% in FY22 as its largest revenue contributor, China market of 44% is facing a full or partial lockdown from April 2022 onwards. In FY24, PT should resume 10.0% growth on a more stable economic outlook. Gross margin should remain around 11%-12% with inflation in check from the 4th quarter of 2022. With its 10-year income tax exemption from 2018 to 2027, it expects to enjoy a tax-free net income of RM24.8m, translating into an EPS of 4.6 sen and ROE of 17.5%. PT also has a healthy balance sheet with a net cash position of RM8.5m in FY22.

**Key risks** include (i) a slowdown in Malaysia’s and China’s economies (ii) a supply shortage of seafood for processing (iii) fluctuations in currency especially the US and Renminbi and (iv) a further spike in inflation.

INVESTMENT STATISTICS	FY20	FY21	FY22	FY23F	FY24F
Revenue (RM m)	161.3	186.4	349.1	379.0	417.0
Gross Profit (RM m)	25.1	28.7	38.6	45.0	49.5
EBITDA (RM m)	17.7	22.7	26.4	29.4	35.4
EBITDA Margin (%)	11.0	12.2	7.6	7.8	8.5
Net Profit (RM m)	12.2	16.0	21.1	24.8	29.5
EPS (sen)	2.3	3.0	3.9	4.6	5.5
EPS growth (%)	-	31.2	31.4	17.6	19.0
DPS (sen)	-	-	0.0	1.0	1.1
Dividend Yield (%)	-	-	-	2.8	3.1
BVPS (sen)	6.7	9.8	13.7	26.4	30.8
P/E (X)	15.8	12.0	9.1	7.8	6.5
P/BV (X)	5.3	3.7	2.6	1.4	1.2
Net gearing (%)	71.4	27.7	Cash	Cash	Cash
ROE (%)	33.9%	30.7%	28.7%	17.5%	17.9%
ROA (%)	12.9%	13.6%	15.2%	12.7%	13.7%

Sources: Company, Mercury Securities

## Business Overview

PT Resources Holdings Berhad is principally involved in the processing and trading of frozen seafood products, and retail trading of other products. The products are sold in Malaysia and export to international market such as Saudi Arabia, China, the Philippines and the UAE.

## Stock Return Based on Indicative Fair Value

KLCI (pts)	1,512.05
Expected Share Return (%)	27.8%
Expected Dividend Yield (%)	2.8%
<b>Expected Total Return (%)</b>	<b>30.6%</b>

## Stock Information Based on IPO Price

Market Cap (RM m)	RM 192.6
Enlarged Shares (m shares)	535.0
IPO Price (RM)	0.36
Offer for Sales (m shares)	135.0
Estimated Free Float (%)	25.2%

## Major Shareholders Post Listing

Heng Chang Hooi	71.0%
Sonic Capital Limited	3.7%
Public	25.1%

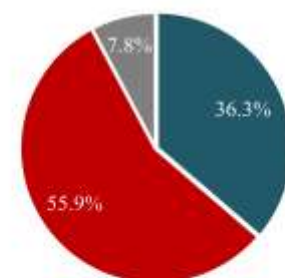
## Revenue Segment Mix FY22

Processing & Trading of Seafood	89.8%
Trading of Other Products	10.2%

## Geographical Mix

China Market	44.2%
Malaysia Market	42.8%
Other Markets	13.0%

## Utilization of IPO Proceeds (RM48.6 m)



- Capex for new cold storage warehouse
- Working capital
- Estimated listing expenses



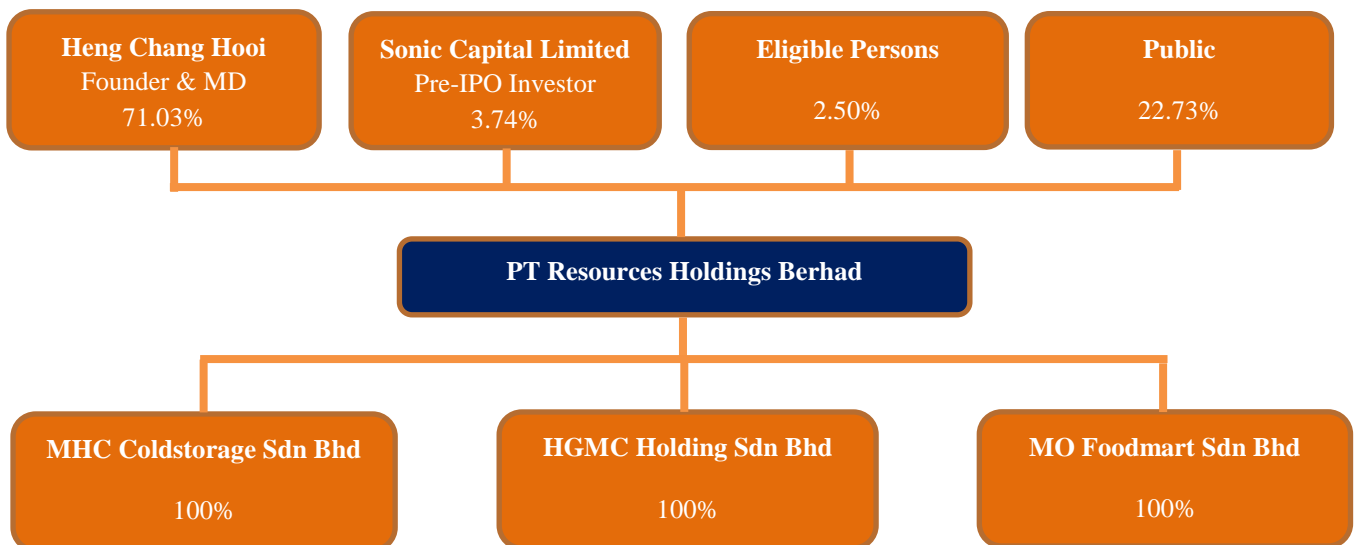
## IPO Details

**Figure 1: Offer For Sales**

	Offer for sale (m shares)	Public issue (m shares)	Total (m shares)	(%)	Enlarged share capital (%)
(i) Malaysian Public via Balloting	-	26.7	26.7	19.8%	5.0%
(ii) Eligible Directors, employees as well as persons who have contributed to the success of the company	-	13.4	13.4	9.9%	2.5%
(iii) Private placement to selected investors	-	28.0	28.0	20.7%	5.2%
(iv) Bumiputera investors	-	66.9	66.9	49.6%	12.5%
<b>Total</b>	-	135.0	135.0	100.0%	25.2%

Source: Company

**Figure 2: Shareholding Structure Post Listing**



Source: Company



## Company Background

Founded in 2012 by Mr. Heng Chang Hooi with the incorporation of MO, PT Resources is principally involved in the trading and processing of frozen seafood products and trading of other products including meat and non-meat products.

Figure 2: PT's Operation Details.



Source: Company

## Trading and processing of frozen seafood products

The company has a food processing facility (KIFPP Processing Facility) which is well-equipped to carry out processing activities on frozen seafood products such as defrosting, cleaning and cutting, freezing using IQF freezer and semi-contact blast freezer, glazing, packaging using master packaging, vacuum packaging, skin packaging, and cold room storage. The KIFPP Processing Facility is strategically located near the fish landing jetty in LKIM (Fisheries Development Authority of Malaysia) Complex Kuantan, Pahang which is one of the busiest fish landing jetties in the Peninsular Malaysia.

The KIFPP is one of the projects under the East Coast Economic Region Development Council (ECERDC), targeted to enhance socio-economic development, and to spearhead the growth of seafood processing and related downstream industries of the East Coast region of Peninsular Malaysia.

## Trading of other products

The company also sells Halal-certified chilled and frozen meat such as poultry, beef, lamb, and mutton as well as ready-to-eat meat, ready-to-cook meat and seafood products, and non-meat products such as fruits and vegetables, staple food, beverages, and non-food products such as tissue and cleaning solutions.

## Own outlets and online marketplace

The company have 2 management offices in Selangor and Pahang, and own 6 “MO Foodmart<sup>TM</sup>” outlets located in Terengganu and Pahang and 1 “MO Wholesale Centre” outlet in Pahang. The KIFPP Processing Facility is located in Pahang. The company also sells frozen seafood and other products via its online marketplace, “MO Signature<sup>TM</sup>” launched in June 2020.



## Industry Prospects

### Expanding seafood processing industry in Malaysia

The seafood processing industry in Malaysia has been expanding at a commendable CAGR of 13.8% between 2015 and 2021 from RM2.9 bn to RM6.3 bn (source: PROVIDENCE STRATEGIC PARTNES). Furthermore, PROVIDENCE estimates that the seafood processing industry in Malaysia will continue to grow at a respectable CAGR of 11.5% between 2022 and 2024 from RM7.0 bn to RM8.7 bn.

Figure 3: PT's Industry Overview.



Sources: Company, IMR

Amongst factors expected to support the growth in seafood processing in Malaysia is strong local demand. With per capita seafood consumption of 57.6 kg in 2017, Malaysia is the fifth largest consumer of seafood in the world on a per capita basis. Malaysia's growing population and rising disposable income driven by healthy GDP growth could driver an increase in seafood consumption including frozen seafood.

Similarly, population and disposable income growth in Asia Pacific and the Middle East could drive increased consumption of seafood. This trend should benefit Malaysia's seafood processing industry due to these regions being export markets for Malaysian seafood products.

With the advancements in freezing technology, frozen seafood products can now have longer shelf life without compromising on quality which could create greater acceptance for frozen seafood amongst consumers. Additionally, due to their extended shelf life all types of seafood could be made available throughout the year which could drive increased demand for frozen seafood.

The sale of frozen seafood through online channels such as electronic stores and/or social media platforms increases the accessibility and convenience for consumers which could in turn result in higher spending on frozen seafood.



## Earnings Forecast

We expect the revenue to grow at 8.6% in FY23 from a massive 87.2% in FY22 as the China market, the largest revenue contributor of 44% is facing a full or partial lockdown from April 2022 onwards. In FY24, PT Resources should resume 10.0% growth on a more stable economic outlook. Gross margin should remain around 11%-12% with inflation in-check from the 4th quarter of 2022. With its 10-year income tax exemption from 2018 to 2027, it expects to enjoy a tax-free net income of RM24.8m in FY23, translating into an EPS of 4.6 sen and ROE of 17.5%. PT also has a healthy balance sheet with a net cash position of RM8.5m in FY22

Earnings Forecast (RM m) April	FY20	FY21	FY22	FY23F	FY24F
Processing & Trading - Frozen seafood	138.7	165.8	321.5	348.0	383.0
Retail of other products	22.6	20.6	27.6	31.0	34.0
<b>Revenue</b>	<b>161.3</b>	<b>186.4</b>	<b>349.1</b>	<b>379.0</b>	<b>417.0</b>
COGS	(136.2)	(157.7)	(310.5)	(334.0)	(367.5)
<b>Gross Profit</b>	<b>25.1</b>	<b>28.7</b>	<b>38.6</b>	<b>45.0</b>	<b>49.5</b>
Other Income	0.3	0.5	3.1	0.5	0.5
Administration expenses	(6.9)	(7.0)	(15.5)	(16.1)	(14.6)
Impairment loss/ gain	(0.8)	0.4	0.2	0.0	0.0
<b>EBITDA</b>	<b>17.7</b>	<b>22.7</b>	<b>26.4</b>	<b>29.4</b>	<b>35.4</b>
Depreciation & Amortisation	(2.5)	(2.6)	(2.7)	(2.9)	(4.0)
<b>EBIT</b>	<b>15.3</b>	<b>20.1</b>	<b>23.7</b>	<b>26.5</b>	<b>31.4</b>
Interest income	0.2	0.3	0.2	0.6	0.4
Interest expenses	(2.7)	(3.0)	(2.7)	(2.0)	(2.0)
<b>Pre-tax profit</b>	<b>12.8</b>	<b>17.4</b>	<b>21.3</b>	<b>25.1</b>	<b>29.8</b>
Taxation	(0.5)	(1.3)	(0.2)	(0.3)	(0.3)
<b>Net Profit</b>	<b>12.2</b>	<b>16.0</b>	<b>21.1</b>	<b>24.8</b>	<b>29.5</b>
Enlarged Shares (m)	535.0	535.0	535.0	535.0	535.0
<b>EPS (sen)</b>	<b>2.3</b>	<b>3.0</b>	<b>3.9</b>	<b>4.6</b>	<b>5.5</b>
<b>DPS (sen)</b>	<b>-</b>	<b>-</b>	<b>0.0</b>	<b>1.0</b>	<b>1.1</b>
<b>BVPS (sen)</b>	<b>6.7</b>	<b>9.8</b>	<b>13.7</b>	<b>26.4</b>	<b>30.8</b>
<b>Margin Ratio</b>					
Gross margin	15.5%	15.4%	11.1%	11.9%	11.9%
EBITDA margin	11.0%	12.2%	7.6%	7.8%	8.5%
EBIT margin	9.5%	10.8%	6.8%	7.0%	7.5%
Pre-tax margin	7.9%	9.3%	6.1%	6.6%	7.1%
Net Margin	7.6%	8.6%	6.0%	6.5%	7.1%
<b>Ratio Analysis</b>					
Asset Turnover (X)	1.71	1.58	2.52	1.92	1.91
Financial leverage (X)	2.62	2.26	1.89	1.39	1.32
Gearing (%)	71.4%	27.7%	Cash	Cash	Cash
ROE (%)	33.9%	30.7%	28.7%	17.5%	17.9%
ROA (%)	12.9%	13.6%	15.2%	12.6%	13.5%

Sources: Mercury Securities, Company



BALANCE SHEET (RM m) April	FY20	FY21	FY22F	FY23F	FY24F
Inventories	5.1	8.2	11.6	14.0	15.2
Total receivables	41.1	40.4	44.3	48.9	53.1
Tax recoverable	0.4	0.0	0.3	0.4	0.4
Cash & Equivalents	10.1	30.5	45.5	81.2	92.8
<b>Current Assets</b>	<b>56.7</b>	<b>79.1</b>	<b>101.8</b>	<b>144.4</b>	<b>161.4</b>
Property, plant & equipment	22.9	22.1	20.5	31.0	36.0
Right-of-use assets	5.6	6.2	6.5	6.5	6.5
Fixed deposits	9.2	10.5	9.9	15.0	14.0
<b>Non-Current Assets</b>	<b>37.7</b>	<b>38.8</b>	<b>36.9</b>	<b>52.5</b>	<b>56.5</b>
Borrowings	13.0	13.1	11.0	10.0	9.0
Lease liabilities	3.0	3.0	3.3	3.3	3.3
Provision for restoration costs	0.5	1.2	1.3	1.2	1.0
Deferred tax liabilities	0.3	0.3	0.3	0.3	0.4
<b>Non-current liabilities</b>	<b>16.9</b>	<b>17.5</b>	<b>15.9</b>	<b>14.8</b>	<b>13.7</b>
Total payables	8.7	5.1	13.0	15.2	16.7
Amount due to Directors	0.0	0.0	0.0	0.0	0.0
Borrowings	32.0	42.3	35.9	25.0	22.0
Other Current Liabilities	0.8	0.7	0.6	0.6	0.6
<b>Current liabilities</b>	<b>41.5</b>	<b>48.1</b>	<b>49.4</b>	<b>40.8</b>	<b>39.3</b>
Share Capital	0.0	20.0	20.0	68.6	68.6
Retained earnings	29.6	45.6	66.7	86.2	109.8
Other Equity	6.5	(13.4)	(13.4)	(13.4)	(13.4)
<b>Total Equity</b>	<b>36.1</b>	<b>52.2</b>	<b>73.3</b>	<b>141.4</b>	<b>165.0</b>
<b>Total Assets</b>	<b>94.4</b>	<b>117.9</b>	<b>138.6</b>	<b>196.9</b>	<b>217.9</b>

Sources: Mercury Securities, Company

## Peer Comparison and Valuation

Based on the IPO price of RM0.36, PT Resources is offered at a slight discount of FY23 P/E of 7.8x against the industry P/E of 8.4x. The FY23 P/BV is 1.4x against the industry P/E of 0.6x. QL Resources is excluded from the peer comparison due to its excessive valuation and diversified operations. PT Resources should command a higher FY23 P/E of 10.0x with its above-average FY23 ROE of 17.5% against the industry of 7.6%. At P/E of 10.0x, the stock is fairly valued at RM0.46 with no rating given.

Company	Price (RM)	Mkt Cap (RM m) (23/8)	EPS %	P/E (x) FY23	P/E (x) FY22	P/BV (x) FY23	DY (%) FY23	ROE (%) FY22	ROE (%) FY23
CCK Conso.	0.59	368	42.3	14.4	9.5	1.2	3.4	8.2	12.2
MAG Holdings	0.185	267	12.9	8.6	7.6	0.3	0.0	3.9	4.2
QL Resources	5.10	12,411	12.4	57.3	51.0	4.3	0.7	8.0	8.4
PT Resources	0.36	193	17.6	9.1	7.8	1.4	2.8	28.7	17.5
<b>Weighted Ave.</b>		<b>13,239</b>	<b>16.2</b>	<b>45.0</b>	<b>38.7</b>	<b>3.1</b>	<b>0.8</b>	<b>7.6</b>	<b>8.1</b>
<b>Weighted Ave.</b>		<b>828</b>	<b>26.8</b>	<b>10.7</b>	<b>8.4</b>	<b>0.6</b>	<b>2.2</b>	<b>6.6</b>	<b>7.6</b>

Sources: Mercury Securities, Bloomberg

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