



L&P Global Berhad

“IPO Note – A specialist in the wooden industrial packaging industry”

Ace Market
Industrial Products
Subscribe
IPO Price: RM0.30
Fair Value: RM0.45

Valuation / Recommendation

We have a SUBSCRIBE recommendation on L&P Global Berhad with a target price of RM0.45 based on FY23F EPS of 3.8 sen and a PE of 12x in line with the industrial products sector’s FY23F PE.

We like the stock for its attractive expansion plans and high technical capabilities, well-positioned to leverage on the growth of the wooden industrial packaging industry which is driven by the preference for wood over plastics as material for wooden industrial packaging. The Group has a 5.05% market share by business value in Malaysia. The target price represents a potential return of 50.0% over the IPO price.

Investment Insights

An experienced industrial packaging solution provider. The company offers an integrated industrial packaging solution to its customers from the sourcing of materials, designing, manufacturing, assembly, and supply of industrial packing products, packing of goods into boxes and crates, to reusing, recycling, and repairing of pallets.

The company intends to expand its circular supply service offerings by extending logistics services to its existing customers and also venture into the collection of used industrial packaging products which will be sent back to the company’s Sungai Bakap factory to reuse and recycle. This value-add service will improve the company’s bottom-line margins going forward.

Attractive expansion plans. The company plans to expand its operations in Johor via a construction of a new factory with a built-up area of 85,000 sq. ft which includes floor space for manufacturing activities, storage, and office. The new factory will produce boxes and crates, provide packing services, facilitate its circular supply services, and support its planned expansion into Singapore going forward. Construction of the factory is expected to commence by 2Q24 and complete by 3Q25.

The company also in the midst of identifying a 12,000 sq. ft factory lot for rental and plans to set up an assembly and storage plant in the Klang Valley to perform assembly works for final products comprising boxes and crates, provide packing services and facilitate its circular supply services. This will allow the company to expand its geographical presence domestically to the Klang Valley.

Experienced management team. The company is managed by CEO Ooi Lay Pheng along with key senior management team who has more than 20 years of experience in the industrial packaging industry. The company was able to achieve a 2-year revenue CAGR of 35.05% from FY19 to FY21.

Risk factors. (1) Labour shortages. (2) Customer concentration risk as First Solar contributed approximately 59.4% to total revenue in FY21.

INVESTMENT STATISTICS	FY20	FY21	FY22F	FY23F	FY24F
Revenue (RM m)	88.3	120.9	150.7	180.7	210.7
EBITDA (RM m)	13.8	22.0	25.8	30.3	34.9
EBITDA Margin (%)	15.6	18.2	17.1	16.8	16.6
PAT (RM m)	9.9	14.3	17.4	21.1	24.8
EPS (sen)	1.8	2.6	3.1	3.8	4.4
EPS Growth (%)	124.3	45.5	21.4	21.4	17.7
BV Per Share (sen)	5.0	7.1	10.2	21.2	25.7
PE (x)	17.1	11.7	9.7	8.0	6.8
Net gearing/ (net cash) (%)	Debt	Net Debt	Net Debt	Net Cash	Net Cash
ROA (%)	17.2	19.3	13.6	11.5	12.0
ROE (%)	35.3	36.1	30.5	17.8	17.3

Sources: Company, Mercury Securities

Business Overview

L&P Global Berhad is an integrated industrial packaging solutions provider where the solutions are integral parts of supply chain management that enable optimal use of industrial packaging products through cost-effective and efficient movement of goods throughout the supply chain, inventory management and space usage.

Listing Details

Listing Date	3 Jan 23
New Shares (m)	113.0
Offer For Sale (m)	33.8
Funds Raised (Rm m)	33.9

Post Listing

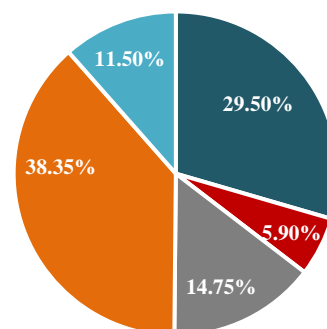
Ordinary shares (m)	560.0
Market Cap (RM m)	168.0
Free Float	20.2%
P/E (FY21)	11.7x

Major Shareholders

B Pack	65.80%
Moviente	4.79%
Ooi Lay Pheng	0.36%

Utilization of IPO Proceeds (RM m)

Capital expenditure (Within 36 months)	10.0
Business expansion (Within 36 months)	2.0
Repayment of bank borrowings (Within 6 months)	5.0
Working capital (Within 12 months)	13.0
Listing expenses (3 month)	3.9



- Capital expenditure
- Business expansion
- Repayment of bank borrowings
- Working capital
- Listing expenses

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IPO details

	Offer for sale (m)	Public issue (m)	Total (m)	(%)
(i) Malaysian Public via Balloting	-	24.0	24.0	4.29%
(ii) Eligible Directors and employees as well as persons who have contributed to the success of the Group	-	13.0	13.0	2.32%
(iii) Private placement to Bumiputera investors approved by MITI	-	70.0	70.0	12.50%
(iv) Private placement to selected investors	33.8	6.0	39.8	7.10%
Total	33.8	113.0	146.8	26.20%

Source: Company

Group structure post listing



Source: Company

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