



L&P Global Berhad

“A specialist in the wooden industrial packaging industry”

Bloomberg: LPBHD MK | Stock Code: 0268

**Ace Board
Industrial Services**

**BUY
TP: RM0.63
Last Closing Price: RM0.51**

Valuation / Recommendation

We initiate coverage on L&P Global Berhad with a BUY recommendation with a TP of RM0.63 based on FY23F EPS of 3.3 sen and a PE of 19x, which is a 10% discount to the the 5-years average of the industrial products sector.

We like the stock for its attractive expansion and diversification 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 24.8% over the current price.

Investment Highlights

Results overview. Results were within expectations, achieving 99.9% and 84.5% of our full year revenue and profit forecasts for FY22. This represents the strongest 12M performance in the company’s history. 4Q22 revenue was lower qoq (-10.2%) due to slowdown in demand as customers scheduled vacation shutdown and undertook inventory adjustment. PBT fell in 4Q22 as a result of unrealised loss in foreign exchange of RM0.81m. PAT margins for FY22 fell due to one-off expenses of RM2.73m on IPO exercise and legal fee to obtain banking facilities for the acquisition of Perai branch and Kulim branch.

A one-stop 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.

An experienced industrial packaging solution provider. L&P has been operating in the industrial packaging industry for approximately 39 years. The company has a high technical know-how on wood materials, enabling L&P to tailor its manufacturing processes of the wood materials according to its customers’ requirements on different industrial packaging products.

Strong customer base and attractive diversification plans. The company has a fleet of around 300 customers where approximately 55% are MNCs (by revenue 97% contributed by MNC), aiming to grow the value of each customer whilst improving customer stickiness going forward. The company also plans to attract and obtain more new customers from various industries which will aide its diversification plans and reduce its concentration risk on the renewable energy industry.

Expansion of circular logistics business. 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.

In 2023, the company intends to expand its sales in the Solar Energy, Pharmaceutical and circular supply projects which will increase utilisation rate in the box and crate, engineered wood pallet, as well as the recycle pallet business. Moving on to 2024, the company plans to expand its sales in the semiconductor equipment manufacturer, coupled with Solar Energy projects based on customer’s capacity increase. The increase in capacity will further increase its utilisation rate in the box and crate and the new warehousing business.

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.

Stock Return Information

KLCI (pts)	1,422.11
Expected Share Return (%)	23.5
Expected Dividend Yield (%)	1.3
Expected Total Return (%)	24.8

Share Information

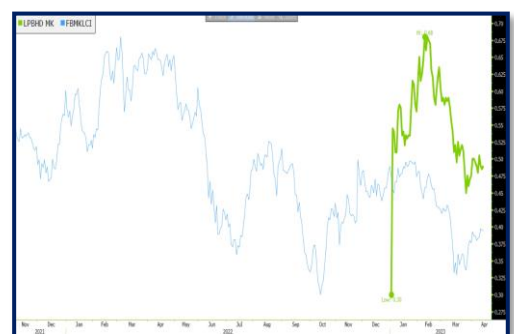
Market Cap (RM m)	285.6
Issued Shares (m)	560.0
52W High (RM)	0.705
52W Low (RM)	0.405
Estimated Free Float (%)	20.2
Beta vs FBM KLCI	-
3-month Average Vol. (m)	377.1

Top 3 Shareholders (%)

B Pack	65.80
Moviente	4.79
Ooi Lay Pheng	0.36

Price Performance

	1M	3M	12M
Absolute (%)	-3.9	-9.3	-
Relative to Index (%)	-6.1	-5.2	-



Source: Bloomberg

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Strengthening its presence in the Northern region. The company plans to relocate a portion of its assembly activities for boxes and crates to the Perai and Kulim plant and install new assembly lines at the branch to allow ready-to-use components for boxes and crates to be assembled into final products at the Perai and Kulim plant. This will free up some manufacturing space in the Sungai Bakap Factory, allowing the company to expand its manufacturing capacity in the factory. The Perai plant is expected to commence mass production by 2Q23, whereas the Kulim Plant is expected to be ready by 1Q24.

Strengthening its presence in the Southern region. The company intends 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 is 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 3-year revenue CAGR of 31.4% from FY19 to FY22.

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	FY22	FY23F	FY24F
Revenue (RM m)	88.3	120.9	150.5	180.7	210.7
EBITDA (RM m)	13.8	22.0	24.0	28.8	34.3
PATMI	9.9	14.3	14.7	18.3	22.4
Net Profit Margin (%)	11.2	11.9	9.8	10.1	10.6
EPS (sen)	1.8	2.6	2.6	3.3	4.0
EPS Growth (%)	124.3	45.5	2.8	24.5	22.3
BV Per Share (sen)	5.0	7.1	14.6	17.3	20.5
PE (x)	27.9	19.1	18.6	15.0	12.2
Net Gearing (%)	Net Debt	Net Debt	Net Debt	Net Debt	Net Debt
ROA (%)	17.2	19.3	10.8	10.9	11.7
ROE (%)	35.3	36.1	18.0	19.0	19.6

Sources: Mercury Securities, Company



RESULTS (RM m) FYE	4Q22	3Q22	qoq %	4Q21	yoy %	Comments
Dec						
Revenue	37.7	42.0	-10.2	-	-	Revenue declined due to slowdown in demand as customers scheduled vacation shutdown and undertook inventory adjustment.
Cost of sales	-28.2	-32.5	-13.2	-	-	
Gross profit	9.5	9.5	-0.1	-	-	
Other operating income	0.4	0.6	-33.3	-	-	
Reversal of impairment loss	-	-	-	-	-	
Administrative expenses	-4.3	-2.8	53.6	-	-	
Distribution expenses	-0.7	-0.9	-22.2	-	-	
Profit from operations	5.0	6.5	-23.1	-	-	
Finance cost	-0.4	-0.5	-20.0	-	-	
Pretax profit	4.6	6.0	-23.3	-	-	PBT reduced as a result of unrealised loss in foreign exchange of RM0.81m.
Tax	-1.3	-1.4	-7.1	-	-	
Profit after tax	3.3	4.6	-28.3	-	-	
Foreign currency translation	-0.3	0.2	-	-	-	
Total comprehensive income	3.0	4.9	-38.8	-	-	
Extraordinary losses (gains)	-	-	-	-	-	
EPS (sen)	0.6	0.8	-25.0	-	-	

Sources: Mercury Securities, Company

Peers Comparison

Company	Bloomberg Ticker	Share Price (RM)	Market Cap (RM'm)	PE (x)		EPS (sen)		EPS Growth	
				FY22	Current	FY22	Current	FY22	Current
DS Sigma	DSS MK	0.41	196.8	12.6	14.7	4.4	2.8	4.8%	-36.6%
HPP Holdings	HPPHB MK	0.30	116.5	21.9	12.3	2.2	2.5	14.5%	14.3%
Public Packages	PP MK	0.72	191.4	4.3	5.0	14.5	14.5	15.4%	0.3%
Master-Pack	MPG MK	2.66	145.3	5.9	6.7	40.0	40.0	51.0%	-
Average				12.9					

Sources: Mercury Securities, Bloomberg, Company



Source: Bloomberg



PROFIT & LOSS (RM m) FY Dec	FY20A	FY21A	FY22A	FY23F	FY24F
Net Revenue	88.3	120.9	150.5	180.7	210.7
Gross Profit	18.4	29.2	33.4	39.4	47.2
Other Operating Income	0.2	0.2	1.2	0.4	0.4
EBIT	12.0	19.6	20.7	24.8	30.3
Administrative Expenses	4.9	7.4	10.9	11.3	13.2
Profit from operations	12.0	19.6	20.7	24.8	30.3
Interest Income	0.0	0.0	0.0	0.0	0.0
Interest Expense	1.0	1.4	1.5	1.9	2.2
Profit Before Tax	11.0	18.2	19.3	22.9	28.0
Exceptional Items	-	-	-	-	-
Taxation	1.1	3.9	4.6	4.6	5.6
Minority Interests	0.0	0.0	0.0	0.0	0.0
Profit After Tax (PATMI)	9.9	14.3	14.7	18.3	22.4
Preferred Dividends / Adjustments	-	-	-	-	-
Recurring Net Profit	9.9	14.3	14.7	18.3	22.4
BALANCE SHEET (RM m) FY Dec	FY20A	FY21A	FY22A	FY23F	FY24F
Cash & Equivalents	5.7	3.4	6.7	29.3	43.3
Trade & Other Receivables	21.7	29.6	63.2	64.1	72.8
Inventories	12.8	19.7	19.1	27.8	27.2
Other Current Assets	0.9	1.0	0.7	0.8	0.8
Current Assets	41.1	53.7	89.7	122.0	144.0
Property, Plant & Equipment	13.1	15.5	17.2	16.0	16.0
Other Non-Current Assets	3.1	4.9	29.7	30.0	31.0
Non-Current Assets	16.3	20.4	47.0	46.0	47.0
Trade & Other Payables	6.9	8.2	7.8	12.0	8.6
Other Current Liabilities	9.7	12.6	14.5	20.6	22.0
Current Liabilities	16.5	20.8	22.2	32.6	30.6
Other Non-Current Liabilities	12.9	13.6	32.4	38.1	45.7
Non-current Liabilities	12.9	13.6	32.4	38.1	45.7
Share Capital	0.0	0.0	73.5	73.5	73.5
Retained Profits	21.1	32.9	42.2	56.9	74.8
Other Equity	6.8	6.8	0.0	0.0	0.0
Total Equity	27.9	39.7	82.0	96.7	114.6
CASH FLOW (RM m) FY Dec	FY20A	FY21A	FY22A	FY23F	FY24F
Profit before tax (PBT)	11.0	18.2	19.3	22.9	28.0
Other operating cash flow	2.9	4.2	5.4	5.8	6.2
Changes in working capital	-9.3	-13.1	-1.1	-5.3	-11.5
Interest paid	-0.9	-1.2	-1.2	-0.1	-0.1
Interest received	0.0	0.1	0.1	0.1	0.1
Tax paid	-1.3	-3.5	-3.8	-4.6	-5.6
Operating cash flow	2.4	4.5	18.7	18.9	17.1
Purchases of PPE	-0.8	-3.4	-2.8	-4.0	-4.0
Other investing cash flow	0.0	-0.1	-25.8	-0.7	-1.0
Investing cash flow	-0.8	-3.5	-28.5	-4.7	-5.0
Dividends paid	0.0	-3.0	-5.6	-3.7	-4.5
Other financing cash flow	3.2	1.8	22.7	10.3	7.4
Financing cash flow	3.2	-1.2	17.1	6.6	2.9

Sources: Mercury Securities, Company

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