



L&P Global Berhad

“Bright horizon ahead”

Bloomberg: LPBHD MK | Stock Code: 0268

Valuation / Recommendation

We maintain a BUY recommendation with a revised TP of RM0.61 (down from RM0.63) based on FY23F EPS of 3.5 sen and a PE of 17.5x, which is the current peer average. We like the stock for its attractive expansion and diversification plans, as well as its high technical capabilities. The company is 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.

Results were within expectations, achieving 47.0% of our full year revenue and profit forecasts for FY23. Revenue qoq was stronger by RM1.7m (4.4%), primarily due to the increase in demand from boxes and crates from major customers in the RE industry. GP margin increased qoq from 21.2% to 23.8% due to the rise in boxes and crates product which hold a more substantial profit margin, strengthening of USD against MYR, and a slight decrease in average timber price per tonne.

We revise our FY23 and FY24 revenue and profit forecasts by -8.7% and +8.2% as well as -7.5% and +4.5% respectively. This is due to margin expansion and weaker order assumptions from its E&E and semiconductor customers, which is expected to be partially offset by the higher orders received from new customers.

Investment Highlights

Strengthening its presence in the Northern region. The company has relocated a portion of its assembly activities for boxes and crates to the Perai plant in 2Q23 with a utilization rate of 27.5% in that period. This has increased operational capacity by 134%. Meanwhile, the Kulim Plant is expected to be ready by 1Q24. New assembly lines will be installed at the branches, allowing ready-to-use components for boxes and crates to be assembled into final products. These new plants will free up some manufacturing space in the Sungai Bakap Factory, allowing the company to expand its manufacturing capacity in the factory.

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.

New foothold in Singapore. The company has managed to extend its reach in Singapore by securing a warehouse palletising order from a Singaporean logistics company. Deliveries have already begun, and revenues are expected to be recognized in 1Q24.

Expansion of circular logistics business. The company intends to expand its circular supply service offerings by extending logistics services to its existing customers and venture into the collection of used industrial packaging products which will be sent back to the company’s Sungai Bakap

Ace Board
Industrial Services

BUY

TP: RM0.61

Last Closing Price: RM0.45

Initiated Price: RM0.51

RESULTS (RM m) FY Jan	2Q23	1Q23	qoq %	2Q22	yoy %
Revenue	39.6	37.9	4.4%	-	-
COGS	-30.2	-29.9	0.9%	-	-
Gross Profit	9.4	8.0	17.2%	-	-
Other Income	1.0	0.5	98.6%	-	-
Reversal of imp. losses	0.1	0.0	-	-	-
Selling & Distribution Expenses	-0.8	-0.8	0.0%	-	-
Admin Expenses	-2.7	-2.3	19.2%	-	-
Operating Profit	7.0	5.4	28.5%	-	-
Finance Costs	-0.3	-0.4	-	-	-
Profit Before Tax	6.7	5.1	32.8%	-	-
Tax Expense	-1.5	-1.0	48.8%	-	-
Net profit	5.2	4.1	28.9%	-	-
Core net profit	5.2	4.1	28.9%	-	-
EPS (sen)	0.9	0.7	28.9%	-	-
Core EPS (sen)	0.9	0.7	28.9%	-	-

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)	1,448.25
Expected Share Return (%)	35.6
Expected Dividend Yield (%)	2.0
Expected Total Return (%)	37.6

Price Performance

	1M	3M	12M
Absolute (%)	-12.6	8.14	-15.5
Relative to Index (%)	-16.4	5.5	-11.7

Share Information

Market Cap (RM m)	268.8
Issued Shares (m)	560.0
52W High (RM)	0.705
52W Low (RM)	0.380
Estimated Free Float (%)	28.2
Beta vs FBM KLCI	-
3-month Average Vol. (m)	2.02

Top 3 Shareholders (%)

B Pack	65.80
Moviente	4.79
B Line	3.19

Sources: Mercury Securities, Company, Bloomberg

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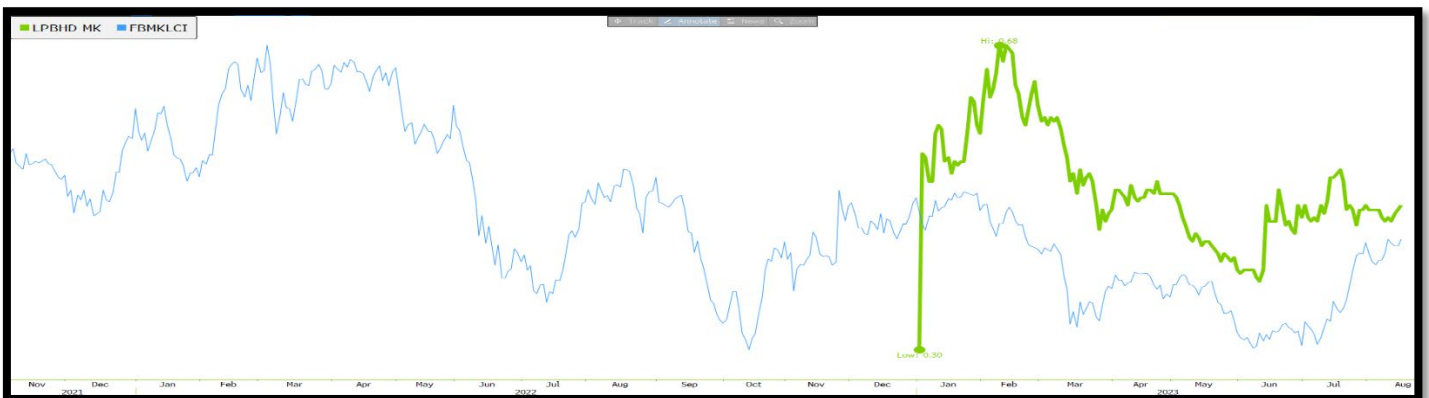


factory to reuse and recycle. This value-add service will improve the company's bottom-line margins going forward.

In 2024, the company aims to develop new circular programs to contribute to MNCs ESG/Sustainability goals/performance, hence strengthening its position as preferred supplier.

Risk factor. (1.) Continued weakening of the semiconductor and E&E industries (2.) Extended breakdown of First Solar equipment, with the customer accounting for roughly 59.4% of total revenue in FY2021.

INVESTMENT STATISTICS	FY20	FY21	FY22	FY23F	FY24F
Revenue (RM m)	88.3	120.9	150.5	165.0	195.0
EBITDA (RM m)	13.8	22.0	22.6	29.9	34.5
PATMI	9.9	14.3	14.7	19.8	23.4
EPS (sen)	1.8	2.6	2.6	3.5	4.2
EPS Growth (%)	124.3	45.5	2.8	34.7	17.8
Dividend Yield (%)	5.1	3.4	2.0	2.0	2.0
BV Per Share (sen)	5.0	7.1	14.6	19.6	25.3
PE (x)	27.9	19.1	18.6	13.8	11.7
Net Gearing (%)	50.1	45.3	43.3	0.4	-5.6
ROA (%)	17.2	19.3	10.8	12.8	12.1
ROE (%)	35.3	36.1	18.0	18.1	16.5



Peer Comparison

Company	Bloomberg Ticker	Share Price (MYR)	Market Cap (MYR'm)	PE (x) Current	EPS (sen)	EPS Growth	P/BV (x)
					Current	Current	Current
SLP Resources	SLPR MK	0.85	266.2	19.4	4.0	-61.1%	1.4
HPP Holdings	HPPHB MK	0.37	143.7	16.5	2.0	-5.9%	1.3
Scientex Packaging	SCIPACK MK	2.19	785.4	16.5	14.0	-8.3%	2.0
Average				17.5			

Sources: Mercury Securities, Bloomberg



PROFIT & LOSS (RM m) FYE Jan	FY20A	FY21A	FY22A	FY23F	FY24F
Net Revenue	88.3	120.9	150.5	165.0	195.0
Gross Profit	18.4	29.2	33.4	37.9	44.9
Other Operating Income	0.2	0.2	1.2	0.3	0.4
EBIT	12.0	19.6	20.7	25.9	30.5
Administrative Expenses	4.9	7.4	10.9	10.3	12.2
Profit from operations	12.0	19.6	20.7	24.6	29.2
Interest Income	0.0	0.0	0.0	1.3	1.3
Interest Expense	1.0	1.4	1.5	1.1	1.3
Profit Before Tax	11.0	18.2	19.3	24.8	29.2
Exceptional Items	-	-	-	-	-
Taxation	1.1	3.9	4.6	5.0	5.8
Minority Interests	0.0	0.0	0.0	0.0	0.0
Profit After Tax (PATMI)	9.9	14.3	14.7	19.8	23.4
Preferred Dividends / Adjustments	-	-	-	-	-
Recurring Net Profit	9.9	14.3	14.7	19.8	23.4
BALANCE SHEET (RM m) FYE Jan	FY20A	FY21A	FY22A	FY23F	FY24F
Cash & Equivalents	5.7	3.4	6.7	30.5	45.2
Trade & Other Receivables	21.7	29.6	63.2	53.0	73.7
Inventories	12.8	19.7	19.1	23.0	27.4
Other Current Assets	0.9	1.0	0.7	0.8	0.8
Current Assets	41.1	53.7	89.7	107.4	147.1
Property, Plant & Equipment	13.1	15.5	17.2	19.0	19.0
Other Non-Current Assets	3.1	4.9	29.7	28.2	27.0
Non-Current Assets	16.3	20.4	47.0	47.2	46.0
Trade & Other Payables	6.9	8.2	7.8	9.5	10.0
Other Current Liabilities	9.7	12.6	14.5	5.2	5.3
Current Liabilities	16.5	20.8	22.2	14.7	15.3
Other Non-Current Liabilities	12.9	13.6	32.4	30.2	36.0
Non-Current Liabilities	12.9	13.6	32.4	30.2	36.0
Share Capital	0.0	0.0	73.5	73.5	73.5
Retained Profits	21.1	32.9	42.2	58.1	76.8
Other Equity	6.8	6.8	0.0	0.0	0.0
Total Equity	27.9	39.7	82.0	109.7	141.7
CASH FLOW (RM m) FYE Jan	FY20A	FY21A	FY22A	FY23F	FY24F
Profit before tax (PBT)	11.0	18.2	19.3	24.8	29.2
Other operating cash flow	2.9	4.2	5.4	5.0	5.2
Changes in working capital	-9.3	-13.1	-1.1	8.0	-24.5
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	-5.0	-5.8
Cash flow from operating activities	2.4	4.5	18.7	32.9	4.2
Purchases of PPE	-0.8	-3.4	-2.8	-7.0	-4.0
Other investing cash flow	0.0	-0.1	-25.8	1.1	1.2
Cash flow from investing activities	-0.8	-3.5	-28.5	-5.9	-2.8
Dividends paid	0.0	-3.0	-5.6	-4.0	-4.7
Other financing cash flow	3.2	1.8	22.7	-13.1	4.4
Cash flow from financing activities	3.2	-1.2	17.1	-17.1	-0.3

Sources: Mercury Securities, Company

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SELL	Stock's total return is expected to be -10% or worse over the next 12 months (including dividend yield)

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