



L&P Global Berhad

Poised for attractive growth

Bloomberg: LPBHD MK | Stock Code: 0268

ACE Market
Industrial Services
BUY

TP: RM0.52
Last Closing Price: RM0.44
Initiated Price: RM0.51

Valuation / Recommendation

Results were within expectations, achieving 74.6% and 80.7% of our full year revenue and profit forecasts for FY23 respectively. Profits were higher than expected as GP margin rose yoy from 22.7% in 3QFY22 to 24.07% in 3QFY23 due to an increase in revenue and slight reduction in average timber price per tonne.

We maintain a BUY recommendation on L&P with a revised TP of RM0.52 (down from RM0.61) based on FY24F EPS 4.0 sen and a PE of 13x in line with the 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.

Investment Highlights

Variation of expansion plans. L&P has adjusted its expansion strategy, reallocating RM8mil of IPO proceeds to enhance existing factory utilisation in Sungai Bakap, Kulai, and Perai, aiming for up to RM300mil in revenue at full capacity. The company is acquiring the previously rented Kulai premise for RM4.02 million, with the remaining CAPEX supporting renovation, machinery, equipment, and vehicles for current factories.

With the expanded production capacity, the Group is strategically poised to seize opportunities stemming from anticipated rising demand from both current and new customers as the electronics/semiconductor industries regain momentum. The Group anticipates that the intensifying trade tensions between the US and China will drive MNCs to establish manufacturing facilities in Malaysia and Vietnam, presenting advantageous prospects for L&P's business expansion in these two markets.

Extension of expansion plan in the Southern region. As such, construction of the new factory in Johor has been extended and is expected to start in 1Q26 and finish by 2Q27. The 85,000 sq. ft. factory will focus on box and crate production, packing services, circular supply, and support for expansion into Singapore.

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

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.) Customer concentration risk, as top 5 customers expected to contribute around 61.2% of total revenue in FY23

Investment Statistics	FY20	FY21	FY22	FY23F	FY24F
Revenue	88.3	120.9	150.5	165.0	185.0
EBITDA (RM m)	13.8	22.0	22.6	29.9	33.0
PATMI (RM m)	9.9	14.3	14.7	19.9	22.5
Profit Margin (%)	11.2	11.9	9.8	12.1	11.5
EPS (sen)	1.8	2.6	2.6	3.6	4.0
EPS Growth (%)	124.3	45.5	2.8	35.0	13.1
BV Per Share (sen)	5.0	7.1	14.6	17.9	26.2
PE (x)	27.9	19.1	18.6	12.4	11.0
Dividend Yield (%)	5.1	3.4	2.0	1.5	1.6
Net Gearing (%)	Debt	Debt	Debt	Cash	Cash
ROA	17.2	19.3	10.8	13.4	11.7
ROE	35.3	36.1	18.0	19.8	15.3

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)	1,446.1
Expected Share Return (%)	18.2
Expected Dividend Yield (%)	1.5
Expected Total Return (%)	19.7

Price Performance

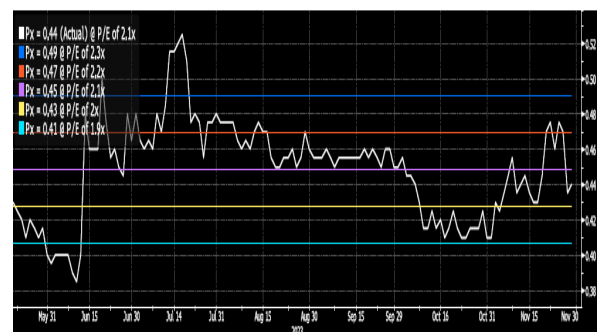
	1M	3M	12M
Absolute (%)	3.5%	-3.3%	-
Relative to Index (%)	3.1%	-2.9%	-

Stock Return Information

Market Cap (RM m)	246.4
Issued Shares (m)	560.0
52W High (RM)	0.71
52W Low (RM)	0.38
Estimated Free Float (%)	28.2
Beta vs FBM KLCI	-
3-month Average Vol. (m)	17.4

Top 3 Shareholders

B Pack Holdings Sdn Bhd	65.8%
Moviente Sdn Bhd	4.8%
B Line Sdn Bhd	3.2%



Source: Mercury Securities, Bloomberg



Quarter Results & Peer Comparisons

Quarter Results Comparison (RM m)

FY Dec	3Q2023	2Q2023	QOQ%	3Q2022	YOY%
Revenue	45.6	39.6	15.2	42.0	8.6
COGS	34.6	30.2	14.8	32.5	6.7
Gross Profit	11.0	9.4	16.5	9.5	15.1
Other Income	0.5	1.0	-47.5	0.6	-9.7
Selling & Distribution Expenses	0.9	0.8	3.8	0.9	-1.7
Admin Expenses	3.3	2.7	23.3	2.8	21.0
Operating Profit	7.3	7.0	4.3	6.5	12.6
Finance Costs	0.3	0.3	11.5	0.5	-36.8
Profit Before Tax	7.0	6.7	4.0	6.0	16.3
Tax Expense	0.6	1.5	-59.1	1.4	-55.7
Net profit	6.4	5.2	21.9	4.6	37.6
Core net profit	6.4	5.2	21.9	4.6	37.6
EPS (sen)	1.14	0.94	21.3	0.83	37.3
Core EPS	1.14	0.94	21.3	0.83	37.3

Source: Mercury Securities, Bloomberg

Peer Comparison

Company	Bloomberg Ticker	Share Price (RM)	Market Cap (RM m)	P/E (x)		EPS (sen)		EPS Growth		P/BV (x)	
				FY23	Current	FY23	Current	FY23	Current	FY23	Current
Scientex Bhd	SCI MK	3.60	5552.8	12.6	12.7	3.0	3.0	6.9%	-	1.6	1.6
MTAG Group Bhd	MTAG MK	0.45	306.7	10.4	12.4	4.0	3.6	-	-9.5%	1.3	1.4
DS Sigma	DSS MK	0.39	184.8	17.6	17.4	2.2	1.9	-	-15.4%	1.8	1.7
HPP Holdings Bhd	HPPHB MK	0.35	136.0	12.5	18.6	0.0	0.0	5.2%	1.9%	1.0	1.1
Average				13.3	15.3						

Source: Mercury Securities, Bloomberg



Key Financial Data

PROFIT & LOSS (RM m) FY Dec	FY20	FY21	FY22	FY23F	FY24F
Net Revenue	88.3	120.9	150.5	165.0	185.0
Gross Profit	18.4	29.2	33.4	37.9	42.6
Other Operating Income	0.2	0.2	1.2	0.3	0.4
EBIT	12.0	19.6	20.7	25.9	29.0
Administrative Expenses	4.9	7.4	10.9	10.3	11.6
Profit from operations	12.0	19.6	20.7	24.6	27.7
Interest Income	0.0	0.0	0.0	1.3	1.3
Interest Expense	1.0	1.4	1.5	1.0	0.8
Profit Before Tax	11.0	18.2	19.3	24.9	28.1
Exceptional Items	-	-	-	-	-
Taxation	1.1	3.9	4.6	5.0	5.6
Minority Interests	0.0	0.0	0.0	0.0	0.0
Profit After Tax (PATMI)	9.9	14.3	14.7	19.9	22.5
Preferred Dividends / Adjustments	-	-	-	-	-
Recurring Net Profit	9.9	14.3	14.7	19.9	22.5
BALANCE SHEET (RM m) FY Dec	FY20	FY21	FY22	FY23F	FY24F
Cash & Equivalents	5.7	3.4	6.7	37.1	55.0
Trade & Other Receivables	21.7	29.6	63.2	43.1	66.0
Inventories	12.8	19.7	19.1	15.7	13.9
Other Current Assets	0.9	1.0	0.7	2.1	0.8
Current Assets	41.1	53.7	89.7	97.9	135.7
Property, Plant & Equipment	13.1	15.5	17.2	21.0	26.0
Other Non-Current Assets	3.1	4.9	29.7	30.0	30.6
Non-Current Assets	16.3	20.4	47.0	51.0	56.6
Trade & Other Payables	6.9	8.2	7.8	11.2	15.0
Other Current Liabilities	9.7	12.6	14.5	6.0	3.7
Current Liabilities	16.5	20.8	22.2	17.2	18.7
Other Non-Current Liabilities	12.9	13.6	32.4	31.2	26.8
Non-current Liabilities	12.9	13.6	32.4	31.2	26.8
Share Capital	0.0	0.0	73.5	73.5	73.5
Retained Profits	21.1	32.9	42.2	58.1	76.1
Other Equity	6.8	6.8	0.0	0.0	0.0
Total Equity	27.9	39.7	82.0	100.5	146.9
CASH FLOW (RM m) FY Dec	FY20	FY21	FY22	FY23F	FY24F
Profit Before Tax (PBT)	11.0	18.2	19.3	24.9	28.1
Other Operating Cash Flow	2.9	4.2	5.4	4.0	4.1
Changes in Working Capital	-9.3	-13.1	-1.1	-3.2	-20.9
Tax Paid	-1.3	-3.5	-3.8	-2.7	-5.6
Cash Flow from Operations	2.4	4.5	18.7	23.6	6.0
Other Investing Cash Flow	0.0	-0.1	-25.8	0.2	-0.6
Cash Flow from Investing	-0.8	-3.5	-28.5	-28.1	-27.6
Dividends Paid	0.0	-3.0	-5.6	-4.0	-4.5
Other Financing Cash Flow	3.2	1.8	22.7	20.3	18.2
Cash Flow from Financing	3.2	-1.2	17.1	16.4	13.7

Source: Mercury Securities, Bloomberg



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Published & Printed By:

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