

29 November 2021

SKP Resources

Best in the Business

By Samuel Tan | samueltan@kenanga.com.my

SKP outshined its competition as 2QFY22 NP jumped 24% QoQ to RM40.1m despite being limited to 60% workforce. This brings 1HFY22 CNP to RM72.6m (+34% YoY) which came in within expectation, representing 45%/46% of our/consensus full-year forecasts. The stronger QoQ performance and margin improvement were attributable to higher demand for its PCBA by external parties. With the availability of a full workforce to take advantage of the year-end festive sale, SKP is poised for a stronger 2H ahead. **Maintain OUTPERFORM and Target Price of RM2.60.**

Within expectations. 2QFY22 NP of RM40.1m (+24% QoQ; -9% YoY) came in within expectation, bringing 1HFY22 CNP to RM72.6m (+34% YoY), representing 45% and 46% of our and consensus full-year forecasts, respectively.

Results' highlight. QoQ, while its peers in the EMS space saw significant decline in performance, SKP's 2QFY22 NP jumped 24% higher to RM40.1m on an 8% increase in revenue to RM553.7m. The strong QoQ improvement despite being limited to 60% workforce during the FMCO period further illustrates the group's capabilities in managing its operations as well as handling the labour shortage situation. As a result, its EBIT margin climbed 1.2ppt to 9.5% while NP margin rose 0.9ppt to 7.2%. **YoY,** 2QFY22 NP edged 9% lower while revenue fell 24% owing to the FMCO protocol whereas last year's 2QFY21 was operating normally. On a cumulative basis, 1HFY22 revenue was slightly lower by 5% but NP leapt 34% on improved operational efficiencies.

Anticipating stronger 2H. Building upon its solid performance, SKP is prepared for a stronger 2H as it is now able to employ 100% of its workforce to take advantage of higher consumer demand during the year-end festive season. In addition to cost control and efficient management, the group's margin improvement is also attributable to higher orders for its PCBA lines for in-house usage as well as external sale to other contract manufacturers which will continue in the subsequent quarters.

Increasing floor space. SKP will soon begin the construction of a new 4-storey c.750k sq ft plant (vs. previously planned 3-storey 600k sq ft) on a 6.4-acre land in Johor Bahru which will increase its total floor space by c.75%. The group has started the tender process for contractor selection and aims to have the facility completed within 12 months. Also, the group has recently purchased another 7.9-acre land nearby in anticipation of more orders from existing and new potential customers.

Maintain FY22E and FY23E NP at RM162.2m and RM182.3m, representing 22% and 12% growth, respectively.

Maintain OUTPERFORM with an unchanged Target Price of RM2.60 based on 23x CY22E PER, representing +2SD to 3-year mean.

Risks to our call include: (i) lower-than-expected orders (ii) higher input costs, and (iii) single customer concentration risk.

OUTPERFORM ↔

Price: **RM1.95**
Target Price: **RM2.60** ↔

Share Price Performance



KLCI	1,512.22
YTD KLCI chg	-7.6%
YTD stock price chg	9.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SKP MK Equity
Market Cap (RM m)	3,046.6
Shares Outstanding	1,562.4
52-week range (H)	2.06
52-week range (L)	1.29
3-mth avg daily vol:	3,615,177
Free Float	60.0%
Beta	0.88

Major Shareholders

Beyond Imagination Sdn Bhd	14.4%
Kumpulan Wang Persaraan	9.5%
Renown Million Sdn Bhd	8.1%

Summary Earnings Table

FYE Mar (RM m)	2021A	2022E	2023E
Turnover	2251.2	2529.0	2842.5
EBITDA	206.9	251.0	277.3
PBT	171.3	208.6	234.5
Net Profit (NP)	133.2	162.2	182.3
Consensus (NP)	n.a	159.0	194.3
Earnings Revision	n.a	0%	0%
EPS (sen)	8.5	10.4	11.7
EPS growth (%)	45.7	21.7	12.4
NDPS (sen)	4.3	5.2	5.8
BVPS (RM)	0.5	0.5	0.6
PER (x)	22.9	18.8	16.7
PBV (x)	4.3	3.9	3.5
Net Gearing (x)	(0.1)	(0.1)	(0.2)
Dividend Yield (%)	2.2	2.7	3.0

29 November 2021

Result Highlight								
	2Q	1Q	QoQ	2Q	YoY	6M	6M	YoY
FYE Mar (RM m)	FY22	FY21	Chg	FY21	Chg	FY22	FY21	Chg
Revenue	553.7	515.1	7.5%	726.3	-23.8%	1068.9	1124.9	-5.0%
EBIT	52.8	42.7	23.6%	57.9	-8.8%	95.5	71.2	34.2%
PBT	52.8	42.7	23.6%	57.8	-8.7%	95.4	71.0	34.4%
Taxation	-12.6	-10.2	-23.7%	-13.7	8.0%	-22.8	-16.9	-35.2%
Net Profit	40.1	32.5	23.6%	44.1	-9.0%	72.6	54.1	34.1%
EPS (sen)	2.6	2.1	23.6%	2.8	-8.9%	4.7	3.5	34.4%
NDPS (sen)	0.0	0.0		0.0		0.0	0.0	
EBIT margin	9.5%	8.3%		8.0%		8.9%	6.3%	
PBT margin	9.5%	8.3%		8.0%		8.9%	6.3%	
NP margin	7.2%	6.3%		6.1%		6.8%	4.8%	
Effective tax rate	-23.9%	-23.9%		-23.8%		-23.9%	-23.8%	

Source: Kenanga Research

This section is intentionally left blank

29 November 2021

Malaysian Technology Peers Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div Yld (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.			
D&O GREEN TECHNOLOGIES BHD	5.78	6,928.2	Y	12/2021	48.9%	26.4%	123%	34.0%	141.7	63.5	47.4	17.0	13.9	21.9%	0.2%	6.60	OP
GHL SYSTEMS BHD	1.88	2,146.0	Y	12/2021	4.3%	36.3%	-10.5%	71.6%	69.5	77.6	45.2	4.5	4.2	5.4%	0.0%	2.30	OP
INARI AMERTRON BHD	4.17	15,407.4	Y	06/2022	22.5%	14.6%	11.3%	14.7%	43.4	35.9	1.3	10.4	10.2	26.4%	2.5%	4.80	OP
JHM CONSOLIDATION BHD	1.67	931.2	Y	12/2021	11.7%	17.7%	-5.3%	63.3%	37.8	40.0	24.5	4.3	3.7	13.6%	0.9%	1.80	MP
KELINGTON GROUP BHD	1.49	958.1	Y	12/2021	25.5%	40.1%	84.7%	45.7%	61.9	33.5	23.0	6.4	5.6	16.7%	0.7%	2.50	OP
KESM INDUSTRIES BHD	12.66	544.6	Y	07/2022	4.9%	6.4%	4072%	250%	131.0	37.4	25.0	1.5	1.4	3.8%	0.7%	11.40	MP
MALAYSIAN PACIFIC INDUSTRIES BHD	49.18	9,781.7	Y	06/2022	10.0%	10.0%	11.3%	10.0%	32.2	28.8	26.2	7.1	8.0	15.6%	0.6%	56.20	OP
P.I.E. INDUSTRIAL BHD	3.72	1,428.6	Y	12/2021	59.9%	10.6%	31.0%	29.9%	32.3	24.7	19.0	1.3	1.5	11.5%	1.8%	4.30	OP
SKP RESOURCES BHD	1.95	3,046.6	Y	03/2022	12.3%	12.4%	21.7%	12.4%	21.6	17.7	15.8	4.1	3.7	21.0%	2.8%	2.60	OP
UNISEM (M) BHD	4.24	6,839.5	Y	12/2021	20.0%	15.0%	47.5%	21.0%	46.8	31.7	26.2	3.8	3.5	11.2%	1.4%	4.90	OP

Source: Bloomberg, Kenanga Research

This section is intentionally left blank

29 November 2021

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published and printed by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

