

13 February 2026

SKP Resources

Soft Orders, Rising Cost Pressure

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SKPRES's 3QFY26 net profit of RM16.5m (-36% YoY, -40% QoQ) brought 9MFY26 net profit to RM71.2m, which accounted for 64% of our forecast and 67% of consensus. We consider the results a miss, particularly as 3Q is typically seasonally stronger for the group, with 9M earnings historically accounting for c.76% of full-year profit since FY21. The underperformance was primarily attributable to revisions in order volumes by certain customers following the implementation of tariff measures. This resulted in suboptimal capacity utilisation and weaker operating leverage, while ongoing cost optimisation initiatives implemented by certain customers further exerted pricing pressure, thereby compressing margins and weighing on profitability. Following the results, we have lowered our target price to RM0.53 (from RM0.98) after trimmed our FY26F/FY27F net profit forecasts by 21%/47%, respectively, to reflect weaker order flows and sustained margin compression arising from ongoing customer-led cost optimisation initiatives. Consequently, we downgrade the stock to **MARKET PERFORM**, given the reduced earnings visibility and limited near-term re-rating catalysts.

SKPRES reported 3QFY26 net profit of RM16.5m, which made up 64%/67% of Kenanga/consensus's full-year forecasts. No dividend was declared, as anticipated.

YoY, 9MFY26 revenue dropped 8% to RM1,508m. PBT was down 19% to RM93.6m as margins contracted by 0.8ppt to 6.2% (from 7.0% a year ago), mainly due to lower utilisation rates that limited operating leverage and diluted fixed cost absorption. In addition, ongoing cost optimisation initiatives implemented by certain customers further pressured margins. Consequently, net profit fell 19% to RM71.2m.

QoQ, 3QFY26 revenue declined 15% QoQ to RM457m, mainly due to lower orders from its key customer amid weaker end-demand for consumer household products, with moulding and modification revenue falling sharply by 43% QoQ, in line with reduced EMS activity levels. The weaker revenue base, coupled with ongoing cost optimisation initiatives implemented by certain customers, led to GP margin contracting to 11.9% (vs. 13.0% in 2QFY26) and PBT margin easing by 2.0 ppts to 4.7%. The absence of operating leverage from lower utilisation, alongside customer-driven pricing pressure, ultimately resulted in net profit declining 40% QoQ to RM16.5m, with net margin narrowing by 1.5 ppts to 3.6%.

Outlook. Global inflationary pressures stemming from tariff developments have led to certain customers intensifying cost optimisation efforts, resulting in heightened pricing pressure on the Group's margins. Concurrently, order volumes have been revised by certain customers following the implementation of tariff measures, which has affected near-term demand visibility for SKPRES. We believe these headwinds are industry-wide rather than company-specific, reflecting broader challenges across the EMS sector. To mitigate customer concentration risk, SKPRES is proactively diversifying its customer base, which should enhance earnings visibility and reduce reliance on a single key client. In parallel, the Group continues to expand its PCBA (Printed Circuit Board Assembly), injection moulding, and engineering capabilities to broaden its product offerings. Looking ahead, we believe SKPRES' growth trajectory will be supported by sustained orders from existing customers alongside incremental contributions from newly secured accounts. Notably, mass

MARKET PERFORM

Price: **RM0.565** ↓
Target Price: **RM0.53** ↓

Share Price Performance



KLCI 1,750.85
YTD KLCI chg 4.2%
YTD stock price chg 0.0%

Stock Information

Shariah Compliant Yes
Bloomberg Ticker SKP MK EQUITY
Market Cap (RM m) 882.7
Shares Outstanding 1,562.4
52-week range (H) 1.16
52-week range (L) 0.52
3-mth avg. daily vol: 5,804,781
Free Float 65%
Beta 1.6

Major Shareholders

Beyond Imagination Sdn Bhd 14.4%
EPF 13.4%
Aberdeen Group Plc 10.3%

Summary Earnings Table

FYE Mar (RM m)	2025A	2026F	2027F
Turnover	2,223	1,910	1,975
EBIT	148	116	88
PBT	151	116	90
Net Profit	119	88	68
Consensus	-	106	120
Earnings Revision	-	-21%	-47%
Core EPS (sen)	7.6	5.7	4.4
EPS growth (%)	30	-24	-23
NDPS (sen)	-	0.0	0.0
BV/Share (RM)	0.6	0.7	0.7
Core PER (x)	13.1	11.5	14.8
P/BV (x)	1.6	1.0	0.9
Gearing (x)	Net	Net	Net
	Cash	Cash	Cash
Net Dvd. Yield (%)	-	-	-

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production for a newly secured EU-based customer in the consumer household segment is slated to commence this quarter, which should provide an additional earnings uplift in the coming quarters.

Forecasts. We have revised down our FY26F/FY27F net profit forecasts by 21%/47%, respectively, alongside a 9%/15% reduction in revenue assumptions, to reflect weaker order flows from its customers. Correspondingly, we have lowered our net margin assumptions to 4.6%/3.5% (from 5.4%/5.6%) for FY26F/FY27F, factoring in sustained pricing pressure arising from ongoing customer-led cost optimisation initiatives.

Valuations. We lower our target price to RM0.53, based on an unchanged target PER of 12x applied to FY27F EPS. This represents an approximate 10% discount to peers' 1-year forward mean, which we believe is justified given broader sector-wide uncertainties arising from ongoing supply chain disruptions and margin pressures. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

Investment case. We like SKPRES as: (i) a good proxy to an innovative premium consumer electronics brand, (ii) it has an edge over its peers given its vertical integration, and (iii) it employs an effective cost pass-through model. Downgrade to **MARKET PERFORM** rating.

Risks to our call include: (i) new products hitting mass production stage slower-than-expected, (ii) a weaker recovery in its order flow, and (iii) customer concentration risk stays high.

Results Highlight								
Results Highlights	3Q26	2Q26	QoQ Chg	3Q25	YoY Chg	9M26	9M25	YoY Chg
FYE Mar (RM m)								
Turnover	457.2	537.4	-14.9%	503.7	-9.2%	1,507.6	1,644.5	-8.3%
Gross Profit	54.3	70.5	-22.9%	62.8	-13.4%	191.3	211.0	-9.3%
EBIT	21.4	36.6	-41.6%	32.8	-34.8%	94.2	113.8	-17.3%
Interest exp.	0.2	(0.5)	-142.3%	0.8	-76.1%	0.6	(2.0)	-130.5%
PBT/(LPT)	21.6	36.2	-40.3%	33.6	-35.7%	93.6	115.9	-19.2%
Taxation	(5.1)	(8.7)	-41.3%	(8.0)	-36.3%	(22.4)	(27.6)	-18.9%
Net Profit	16.5	27.5	-40.0%	25.6	-35.6%	71.2	88.3	-19.4%
EPS (sen)	1.1	1.8	-40.0%	1.6	-35.6%	4.6	5.7	-19.4%
DPS (sen)	0.0	0.0	NA	0.0	NA	0.0	0.0	NA
GP Margin	11.9%	13.1%	-1.2%	12.5%	-0.6%	12.7%	12.8%	-0.1%
EBIT Margin	4.7%	6.8%	-2.1%	6.5%	-1.8%	6.2%	6.9%	-0.7%
PBT Margin	4.7%	6.7%	-2.0%	6.7%	-1.9%	6.2%	7.0%	-0.8%
NP Margin	3.6%	5.1%	-1.5%	5.1%	-1.5%	4.7%	5.4%	-0.6%

Source: Kenanga Research

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Malaysian Technology Peers Comparison

Name	Rating	Last Price @ 12 Feb (RM)	Target Price (RM)	Upside	Mkt Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) – Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div. Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
D&O GREEN TECHNOLOGIES BHD	MP	0.545	0.810	48.6%	675.5	Y	12/2025	1.1	2.7	-66.1%	149.3%	50.4	20.2	0.9	-19.5%	1.0	1.8%
INARI AMERTRON BHD	OP	1.53	2.20	43.8%	5,821.8	Y	06/2026	6.8	7.6	1.5%	10.9%	22.4	20.2	2.1	9.3%	7.0	4.6%
KELINGTON GROUP BHD	OP	4.78	6.15	28.7%	3,745.6	Y	12/2025	20.4	20.4	25.3%	21.4%	23.4	23.4	5.4	27.1%	13.0	2.7%
LGMS BHD	MP	0.520	0.650	25.0%	237.1	Y	12/2025	2.2	2.7	-18.7%	23.0%	23.7	19.3	2.4	10.3%	2.0	3.8%
MALAYSIAN PACIFIC INDUSTRIES	MP	31.00	35.30	13.9%	6,181.3	Y	06/2026	104.4	120.3	35.2%	15.2%	29.7	25.8	2.8	9.7%	35.0	1.1%
NATIONGATE HOLDINGS BHD	OP	1.01	1.15	13.9%	2,285.3	Y	12/2025	6.7	6.4	-13.7%	-4.3%	15.2	15.8	2.2	15.9%	2.0	2.0%
OPPSTAR BHD	MP	0.285	0.280	-1.8%	182.8	Y	03/2026	(1.6)	1.0	-184.7%	-40.0%	N.A.	29.0	1.5	-8.0%	0.0	0.0%
PIE INDUSTRIAL BHD	MP	1.72	2.54	47.7%	660.6	Y	12/2025	7.9	14.8	-42.7%	86.5%	21.7	11.6	1.0	4.7%	0.0	0.0%
SKP RESOURCES BHD	MP	0.565	0.530	-6.2%	882.7	Y	03/2026	5.7	4.4	-24.4%	-22.5%	10.0	12.9	0.8	8.0%	0.0	0.0%
UNISEM (M) BHD	UP	3.07	1.90	-38.1%	4,952.2	Y	12/2025	3.6	6.5	-3.6%	78.1%	84.7	47.5	2.3	2.6%	8.0	2.6%
UWC BHD	OP	4.17	4.38	5.0%	4,599.0	Y	07/2026	10.0	13.9	172.6%	38.8%	41.6	30.0	7.7	22.6%	0.0	0.0%
PENTAMASTER CORP BHD	OP	3.16	4.25	34.5%	2,247.8	Y	12/2025	8.7	12.1	-4.9%	38.9%	36.3	26.1	2.8	8.0%	2.0	0.6%
INFOMINA BHD	OP	1.32	1.90	43.9%	793.7	Y	05/2026	5.6	7.6	60.7%	34.8%	23.4	17.4	4.0	18.3%	1.0	0.8%
SECTOR AGGREGATE					33,265.4					5.8%	21.9%	28.5	23.3	2.8	8.4%		1.5%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating		
GENERAL	Earnings Sustainability & Quality	★	★	★
	Corporate Social Responsibility	★	★	★
	Management/Workforce Diversity	★	★	☆
	Accessibility & Transparency	★	★	☆
	Corruption-Free Pledge	★	★	★
	Carbon-Neutral Initiatives	★	★	☆
	OVERALL	★	★	★
SPECIFIC	Foreign Worker Welfare	★	★	★
	Supply Chain Auditing	★	★	★
	Waste disposal / pollution control	★	★	☆
	Energy Efficiency	★	★	★
	Work Site Safety	★	★	★
	Digital Transformation	★	★	☆

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

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.**

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