

03 June 2026

SKP Resources

Weak End Demand Sparks Earnings Bloodbath

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SKPRES's 4QFY26 adjusted net loss of RM23.3m brought FY26 net profit to RM47.9m, which accounted for 54% of our forecast and 59% of consensus. The underperformance was primarily attributable to lower loading volumes by certain customers following the implementation of tariff measures and dampened demand for consumer electronics. 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 RM0.30 (from RM0.53) after trimming our FY27F net profit forecasts by 43% to reflect weaker order flows and sustained margin compression amid weaker operating leverage. Consequently, we downgrade the stock to **UNDERPERFORM**, given the reduced earnings visibility and limited near-term re-rating catalysts.

SKPRES reported a 4QFY26 adjusted net loss of RM23.3m, excluding a one-off impairment of RM14m on plant, property, and equipment. For the full FY26, results accounted for 54% and 59% of Kenanga's and consensus forecasts, respectively. As expected, no dividend was declared. No dividend was declared, as anticipated.

YoY, FY26 revenue dropped 18% to RM1.8b due to moderation in order volumes received from certain customers amid implementation of tariff measures and geopolitical tensions in Middle East. Notably, PBT was down 65% to RM53.5m as margins contracted by 3.8ppt to 3% (from 6.8% a year ago), mainly due to lower utilisation rates that limited operating leverage and diluted fixed cost absorption. Consequently, adjusted net profit fell 60% to RM47.9m.

QoQ, 4QFY26 revenue declined 33% QoQ to RM305m, mainly due to lower orders from its key customer amid weaker end-demand for consumer household products. The reduced revenue base constrained operating leverage, and the impact of prior cost optimisation initiatives by some customers further pressured margins. Gross profit margin contracted sharply to 1.9% (from 11.9% in 3QFY26), resulting in an adjusted net loss of RM23.3 m for the quarter.

Outlook. Global inflationary pressures stemming from tariff developments and middle east war have led certain customers to intensify cost optimisation efforts, which resulted in continued pricing pressure on the Group's margins. At the same time, end demand for consumer household products remained weak, limiting near-term demand visibility for SKPRES. We expect these headwinds to persist in the near term, continuing to weigh on the Group's earnings. While SKPRES is proactively diversifying its customer base to reduce reliance on a single key client, near-term growth is likely to remain constrained. Any recovery in the Group's performance will largely depend on sustained orders from existing customers and contributions from newly secured accounts.

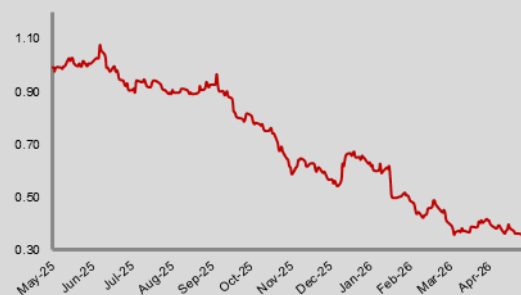
Forecasts. We have revised down our FY27F net profit forecasts by 43%, alongside a 24% reduction in revenue assumptions, to reflect weaker order flows from its customers. Correspondingly, we have lowered our net margin forecast for FY27 to 2.6% (down from 3.4%), taking into account weaker operating leverage due to lower loading volumes. We also take the opportunity to introduce our FY28 forecast.

UNDERPERFORM ↓

Price: **RM0.355**

Target Price: **RM0.30** ↓

Share Price Performance



KLCI	1,683.04
YTD KLCI chg	0.2%
YTD stock price chg	-37.2%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SKP MK EQUITY
Market Cap (RM m)	554.6
Shares Outstanding	1,562.4
52-week range (H)	1.08
52-week range (L)	0.33
3-mth avg. daily vol:	6,212,636
Free Float	71%
Beta	14.4

Major Shareholders

Beyond Imagination S	14.4%
EPF	11.5%
Aberdeen Group Plc	10.3%

Summary Earnings Table

FY Mar (RM m)	2026A	2027F	2028F
Turnover	1,813	1,499	1,759
EBIT	54	48	70
PBT	54	51	72
Net Profit	34	39	55
Adj Net Profit	48	39	55
Consensus	-	67	84
Earnings Revision		-43%	NEW
Core EPS (sen)	3.1	2.5	3.5
EPS growth (%)	-59	-20	42
NDPS (sen)	0.0	0.0	0.0
BV/Share (RM)	0.6	0.6	0.7
Core PER (x)	11.6	14.4	10.1
P/BV (x)	0.6	0.6	0.5
Gearing (x)	Net	Net	Net
	Cash	Cash	Cash
Net Dvd Yield (%)	-	-	-

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Valuations. We lower our target price to RM0.30 (from RM0.50), 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 **UNDERPERFORM** 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	4Q26	3Q26	QoQ Chg	4Q25	YoY Chg	FY26	FY25	YoY Chg
FYE Mar (RMm)								
Turnover	305.1	457.2	-33.3%	578.3	-47.2%	1,812.7	2,222.8	-18.4%
Gross Profit	5.9	54.3	-89.1%	61.8	-90.4%	197.3	272.8	-27.7%
EBIT	(39.8)	21.4	-285.9%	34.1	-216.6%	54.4	148.0	-63.2%
Interest exp.	(0.3)	0.2	-252.8%	1.4	-120.9%	0.9	(3.5)	-126.6%
PBT/(LPT)	(40.1)	21.6	-285.6%	35.5	-212.8%	53.5	151.4	-64.7%
Taxation	2.8	(5.1)	-154.8%	(5.3)	-152.8%	(19.6)	(32.9)	-40.4%
Net Profit	(37.3)	16.5	-325.9%	30.3	-223.2%	33.9	118.6	-71.4%
Adjusted Net Profit	(23.3)	16.5	-241.1%	30.3	-177.0%	47.9	118.6	-59.6%
EPS (sen)	(2.4)	1.1	-325.9%	1.9	-223.2%	2.2	7.6	-71.4%
DPS (sen)	0.0	0.0	NA	0.0	NA	0.0	0.0	NA
GP Margin	1.9%	11.9%	-9.9%	10.7%	-8.7%	10.9%	12.3%	-1.4%
EBIT Margin	-13.0%	4.7%	-17.7%	5.9%	-18.9%	3.0%	6.7%	-3.7%
PBT Margin	-13.1%	4.7%	-17.9%	6.1%	-19.3%	3.0%	6.8%	-3.9%
NP Margin	-12.2%	3.6%	-15.8%	5.2%	-17.4%	1.9%	5.3%	-3.5%
Adjusted NP Margin	-7.6%	3.6%	-11.2%	5.2%	-12.9%	2.6%	5.3%	-2.7%

Source: Kenanga Research

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Malaysian Technology Peers Comparison

Name	Rating	Last Price (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	0.410	0.440	7.3%	508.2	Y	12/2026	(2.6)	2.0	-385.8%	-0.3%	N.A.	20.6	0.9	-16.6%	1.0	2.4%
FRONTKEN BHD	OP	4.90	5.10	4.1%	8,883.4	Y	12/2026	12.8	13.9	31.9%	8.7%	38.4	35.3	6.9	19.1%	4.0	0.8%
INARI AMERTRON BHD	OP	2.34	2.42	3.4%	8,915.1	Y	06/2026	4.8	8.0	-28.1%	64.6%	48.4	29.4	3.2	5.9%	5.0	2.1%
KELINGTON GROUP BHD	OP	7.63	9.05	18.6%	6,577.9	Y	12/2026	21.4	24.5	29.1%	14.1%	35.6	31.2	8.6	27.5%	15.0	2.0%
LGMS BHD	OP	0.525	0.580	10.5%	239.4	Y	12/2026	2.9	3.6	30.4%	21.8%	18.0	14.8	1.8	10.5%	2.0	3.8%
MALAYSIAN PACIFIC INDUSTRIES	MP	49.06	38.90	-20.7%	9,782.5	Y	06/2026	104.7	134.1	35.6%	28.0%	46.8	36.6	4.4	9.7%	40.0	0.8%
NATIONGATE HOLDINGS BHD	MP	0.880	0.780	-11.4%	1,991.1	Y	12/2026	3.5	5.2	-20.1%	49.3%	25.2	16.9	1.9	7.6%	2.0	2.3%
OPPSTAR BHD	UP	0.660	0.430	-34.8%	424.7	Y	03/2027	1.2	2.0	-50.9%	58.2%	53.5	33.8	3.3	6.3%	0.0	0.0%
PIE INDUSTRIAL BHD	MP	1.44	1.45	0.7%	553.0	Y	12/2026	5.9	8.4	0.4%	42.3%	24.4	17.1	0.8	3.5%	0.0	0.0%
SKP RESOURCES BHD	UP	0.355	0.300	-15.5%	554.6	Y	03/2027	2.5	3.5	-19.4%	42.0%	14.4	10.1	0.5	3.7%	0.0	0.0%
SKYECHIP BHD	OP	2.97	2.00	-32.7%	5,334.1	Y	03/2027	2.6	3.4	30.1%	32.1%	114.2	86.5	30.8	31.2%	70.0	23.6%
UNISEM (M) BHD	UP	5.30	2.47	-53.4%	8,549.3	Y	12/2026	5.4	9.5	39.6%	74.6%	97.4	55.8	3.9	4.1%	0.0	0.0%
UWC BHD	OP	5.93	4.70	-20.7%	6,542.7	Y	07/2026	9.0	14.3	143.3%	59.0%	66.1	41.6	11.3	18.7%	0.0	0.0%
PENTAMASTER CORP BHD	MP	4.56	3.95	-13.4%	3,243.6	Y	12/2026	12.1	13.1	39.0%	8.1%	37.6	34.8	3.8	10.4%	2.0	0.4%
INFOMINA BHD	OP	1.10	1.90	72.7%	661.4	Y	05/2026	5.6	7.6	60.7%	34.8%	19.5	14.5	3.3	18.3%	1.0	0.9%
SECTOR AGGREGATE					62,761.1					14.6%	40.4%	49.0	34.9	5.7	10.7%		2.6%

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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