SLP Resources

OUTPERFORM ↔

Price: RM0.80
Target Price: RM0.90 ↔

Profit Rose, Outlook Remains Bright

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SLP's 1HFY26 result made up 43% of our full-year forecast but we deem it within expectations as we expect a potentially better 2H. YoY, its net profit surged by 73%, mainly attributable to higher ASP following the spike in resin prices and crude oil prices arising from the onset of the Middle East conflict in late-Feb 2026. Based on what we gathered from the company, the three months period with high ASP were not fully captured in 2QFY26 with the remaining estimated six weeks' gains expected to flow into 3QFY26. We remain positive on the group's near-term outlook that is further catalysed by its ongoing venture into the high-margin medical component packaging. We keep our earnings forecast unchanged, maintain our TP at RM0.90 and OUTPERFORM call.

Broadly within expectations. While SLP's 1HFY26 net profit of RM8.8m made up 43% of our full-year forecast, we deem it within expectations on expectation of potentially stronger contribution in 2H. The group also declared a DPS of 1.25 sen, bringing to YTD total of 2.25 sen, on track to meet our full-year dividend forecast of 4.8 sen.

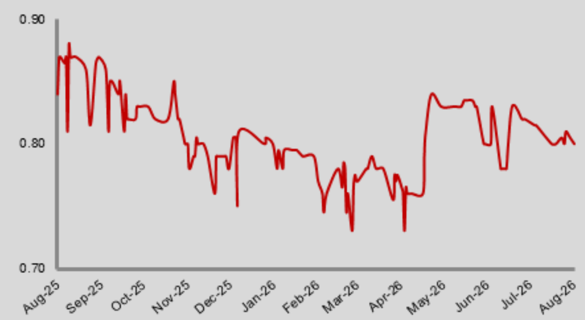
YoY, 1HFY26 revenue was lower by 16% on overall lower volumes largely due to lower trading activities and weaker domestic sales resulting from the group's implementation of stricter credit control measures by not accepting further orders from clients with outstanding payments. On the flipside, its core net profit surged by 73%, mainly attributable to higher ASP following the spike in resin prices and crude oil prices arising from the onset of the Middle East conflict in late-Feb 2026.

QoQ, while its revenue only inched up by 2%, its net profit reported a 144% growth. This was primarily driven by the abovementioned factor leading to about 20% increase in its ASP (QoQ), alongside mildly favourable forex movements in 2QFY26 with the average USD-MYR rate recorded at RM4.00 versus RM3.07 in the preceding quarter. Based on what we gather from the company, in view of about two months' time lag in reflecting the higher raw material prices in its selling prices, there remain six weeks' gains on high ASP that can only be captured in 3QFY26. All in, SLP ended the quarter with a net cash of RM88.3m (versus 1QFY26 net cash of RM79.5m).

Outlook. Kenanga is forecasting MYR to remain steady between RM3.88 to RM3.95 for CY26. The group will likely not suffer for unfavourable forex translation in FY26 as much as in FY25. While we expect demand for SLP's plastic packaging products in Malaysia to remain challenging on persistent domestic competition, we anticipate the strong profitability to continue into 3QFY26 on: (i) higher selling prices from higher resin prices on a YoY basis which translate to higher actual profit even if the cost plus percentage holds steady, (ii) higher margins for a quarter or two from old inventory purchased as lower price, and (iii) catalyst from improved global market sentiment after a low base in FY25 for the packaging sector. Kenanga is forecasting Brent oil prices to average at USD80 in CY26 and USD74 for CY27, where oil prices are unlikely to fall to its pre-war level even if the Middle East conflicts de-escalate. On that note, SLP appears to be able to get sufficient resin supplies from a well-diversified sources across the world, underpinned by its strong cash position.

Looking ahead, another key earnings catalyst for SLP is its ongoing development for medical-related components/devices (which command better-than-average margins) for several international clients. On that note, we have also included part of the potential profits into our

Share Price Performance



KLCI	1,737.15
YTD KLCI chg	3.4%
YTD stock price chg	-0.6%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SLPR MK Equity
Market Cap (RM m)	253.6
Shares Outstanding	317.0
52-week range (H)	0.88
52-week range (L)	0.73
3-mth avg. daily vol.	4,210
Free Float	20%
Beta	0.53

Major Shareholders

Khoon Tee & Family Sdn Bhd	42.2%
Khaw Seang Chuan	15.0%
Khaw Khoon Tee	9.9%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	152.1	194.3	186.5
EBIT	11.4	26.3	24.8
PBT	11.4	27.1	25.5
Net Profit	**8.4**	**20.3**	**19.2**
Core Net Profit	**10.2**	**20.3**	**19.2**
Consensus	-	-	-
Earnings Revision	-	-	-
Core EPS (sen)	3.2	6.4	6.0
Core EPS Growth (%)	-27.4	99.9	-5.8
NDPS (sen)	4.8	4.8	5.0
BVPS (RM)	0.54	0.56	0.57
Core PER (x)	23.8	11.9	12.7
P/BV (x)	1.4	1.4	1.3
Net Gearing (x)	N.Cash	N.Cash	N.Cash
Net Div. Yield (%)	6.2	6.2	6.5

estimations, being one of the primary drivers for the net profit growth forecast in FY26. Meanwhile, we expect the Japan market to remain the largest export market for SLP, accounting for more than 40% of its plastic packaging sales.

Forecasts. Unchanged.

Valuations. We maintain our DDM-derived TP at RM0.90. We expect the company to be able to distribute broadly steady dividends supported by a positive outlook for FY26 and its strong current net cash position of RM88.3m. The company is also reinvesting a portion of its earnings in strategic assets like the new mono film machine. 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 SLP for its: (i) product mix which focuses on high-margin, less commoditised segments such as kangaroo pouches and mono films, (ii) robust cash flows and a strong balance sheet (a net cash position), enabling consistent and generous dividend payments, and (iii) project pipelines of its ongoing venture into the higher-margin medical device components. Maintain **OUTPERFORM** call.

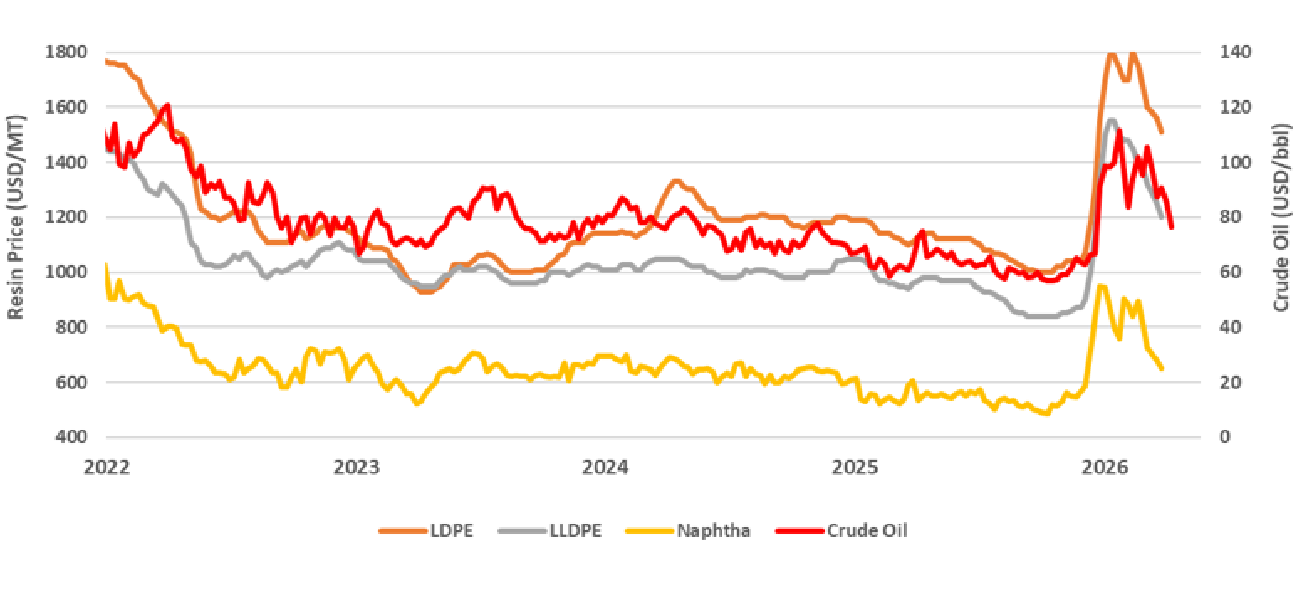
Risks to our call include: (i) dampening consumer demand for plastic packaging, and (ii) high fluctuations in the foreign exchange market.

Results Highlights

FYE Dec (RM'm)	2Q26	1Q26	QoQ	2Q25	YoY	1H26	1H25	YoY
Revenue	34.2	33.6	2%	39.8	-14%	67.8	80.9	-16%
EBIT	8.2	3.2	159%	2.4	243%	11.4	6.2	83%
Finance income	0.1	0.1	66%	0.1	3%	0.2	0.4	-56%
Exceptional items	-0.2	0.1	-405%	-0.1	67%	-0.2	-0.1	218%
PBT	8.1	3.3	144%	2.4	243%	11.4	6.6	74%
Taxation	-2.1	-0.7	205%	-0.6	239%	-2.8	-1.6	81%
Net profit	**6.0**	**2.6**	**127%**	**1.7**	**245%**	**8.6**	**5.0**	**72%**
Core net profit	**6.2**	**2.5**	**144%**	**1.9**	**231%**	**8.8**	**5.1**	**73%**
EPS (sen)	1.9	0.8	127%	0.5	245%	2.7	1.6	72%
Core EPS (sen)	2.0	0.8	144%	0.6	231%	2.8	1.6	73%
Effective tax rate (%)	26.1	20.8		26.4		24.6	23.6	
EBIT margin (%)	24.0	9.5		6.0		16.8	7.7	
PBT margin (%)	23.6	9.9		5.9		16.8	8.1	
CNP margin (%)	18.1	7.6		4.7		12.9	6.3	

Source: Company, Kenanga Research

Resin and Crude Oil Prices



Source: Bloomberg, Kenanga Research

USD/MYR Exchange Rates

Source: Bloomberg, Kenanga Research

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market 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.
Stocks Under Coverage																	
ANCOM NYLEX BHD	OP	0.860	1.50	74.4%	896.0	Y	05/2027	8.9	10.3	9.4%	15.8%	9.7	8.4	1.1	12.2%	2.5	3.0%
BM GREENTECH BHD	UP	1.80	1.72	-4.4%	1,238.0	Y	03/2027	11.3	12.2	11.5%	7.5%	15.9	14.8	3.5	22.5%	1.8	1.0%
BP PLASTICS HOLDINGS BHD	OP	0.740	0.870	17.6%	208.3	Y	12/2026	9.1	8.7	100.2%	-4.5%	8.1	8.5	0.7	9.2%	4.3	5.7%
HPP HOLDINGS BHD	MP	0.315	0.300	-4.8%	122.4	Y	05/2027	2.0	2.3	146.9%	12.7%	15.5	13.7	1.0	6.3%	2.0	6.3%
KUMPULAN PERANGSANG SELANGOR BHD	UP	0.535	0.480	-10.3%	287.5	Y	12/2026	4.4	4.8	143.9%	8.4%	12.0	11.1	0.3	2.2%	2.0	3.7%
SCIENTEX BHD	OP	3.73	3.91	4.8%	5,804.9	Y	07/2026	39.5	39.4	17.0%	-0.4%	9.4	9.5	1.2	13.4%	13.0	3.5%
SOUTHERN CABLE GROUP BHD	OP	2.50	2.68	7.2%	3,179.5	Y	12/2026	12.4	15.0	15.3%	21.7%	20.2	16.6	4.1	20.9%	3.5	1.4%
SLP RESOURCES BHD	OP	0.800	0.900	12.5%	253.6	Y	12/2026	6.0	6.5	11.7%	8.4%	13.3	12.3	1.1	9.1%	1.3	1.6%
TECHBOND GROUP BHD	OP	0.280	0.470	67.9%	212.4	N	06/2026	4.1	4.5	37.5%	9.1%	6.8	6.2	0.8	10.4%	1.0	3.6%
THONG GUAN INDUSTRIES BHD	OP	1.52	1.73	13.8%	591.2	Y	12/2026	26.1	22.9	45.9%	-12.3%	5.8	6.6	0.6	10.8%	6.0	3.9%
SECTOR AGGREGATE					**12,793.8**					**21.2%**	**3.9%**	**11.3**	**10.9**	**1.3**	**11.8%**		**3.4%**

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★			
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Product Quality & Safety	★	★	★		
	Digitalisation & Innovation	★	★	★	★	
	Effluent & Waste Management	★	★			
	Resource Management	★	★	★		
	Supply Chain Management	★	★	★		
	Energy Efficiency	★	★			
	OVERALL	★	★	★		

☆ 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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