

**Jayden Tan**

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<b>Recommendation:</b>	<b>BUY</b>
<b>Current Price:</b>	<b>RM 1.19</b>
<b>Previous Target Price:</b>	<b>RM 1.90</b>
<b>Target Price:</b>	↔ <b>RM 1.90</b>
<b>Upside/Downside:</b>	<b>59.7%</b>

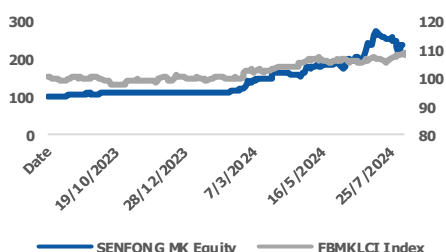
**Stock information**

Board	MAIN
Sector	Industrial
Bursa / Bloomberg Code	5308 / SENFONG MK
Syariah Compliant	Yes
FTSE4Good Index	No
FTSE ESG Rating	N/A
Bloomberg ESG Rating	N/A
Shares issued (m)	721.7
Market Cap (RM' m)	858.8
52-Week Price Range (RM)	0.506-1.35
Beta (x)	0.4
Free float (%)	17.0
3M Average Volume (m)	2.9
3M Average Value (RM' m)	3.1

**Top 3 Shareholders**

	(%)
Sumber Panji Sdn Bhd	59.8
E Tak Bin	7.6
Ambank M Bhd	3.0

**Share Price Performance**



	1M	3M	12M
Absolute (%)	-10.5	32.2	131.6
Relative (%)	-10.0	31.9	109.7

## Seng Fong Holdings Berhad

### Record breaking performance










#### Summary

- **4QFY24 core net profit at RM16.5m, bringing FY24 core net profit at RM57.3m came in line with our expectations.**
- **Earnings growth will be driven by gradual increase in capacity and margin expansion via integration of Biomass system and Smart equipment.**
- **Maintained our BUY recommendation with an unchanged target price of RM1.90, based on a P/E multiple of 19.0x applied to the FY26F EPS of 10 sen.**

#### Results Review

- **Results review.** In 4QFY24, Seng Fong reported a core net profit of RM16.5m, marking a significant jump of 454.1% yoy and 8.9% qoq, primarily driven by higher sales volume. Revenue for the quarter grew 38.7% yoy and 10.3% qoq to RM331.3m. A dividend of 1.5 sen per share, for the quarter was declared.
- **Meeting expectations.** Full-year FY24 core net profit of RM57.3m accounted for 101% of our FY24 forecast, while revenue came in at 103% of our projection.
- **Operations Highlights.** In 4Q24, sales were bolstered by higher volume and average selling price (ASP), with 45.2k metric tons (MT) sold during the quarter, reflecting a 6% qoq and 18.7% yoy improvement. ASP for the quarter also rose, reaching RM7,300/MT (+4% qoq and +18% yoy). Utilisation rate for 4Q24 remained firm at 95% of the annualised capacity of 190k MT. Additionally, diesel costs continued to decline, amounting to just RM1.0m for the quarter, representing a decrease of 23% qoq and 65% yoy, following the integration of the Biomass System into their operations.
- **Industry Highlights.** In 1H24, Malaysia's natural rubber export volume increased by 14% yoy, driven primarily by the resurgence of manufacturing activities in China and growing demand in India. Future growth will be fueled by the rise in vehicle production and the development of electric vehicles globally.
- **Outlook.** Looking ahead, we anticipate that the Group will gradually ramp up annual capacity to 200k MT in FY25F and 210k in FY26F. Growth will be driven by enhanced operational efficiency through the addition of more working shifts and the implementation of Smart Rubber manufacturing equipment across all three plants. Additionally, the full utilisation of the Biomass system and the integration of Smart equipment into operations are expected to contribute to margin expansion through overhead and manpower costs savings.
- **Valuation.** We maintain our earnings forecast as the reported figures were largely in line. We reiterate our **BUY** recommendation with an unchanged target price of RM1.90, based on a 19.0x PER on FY26 EPS. This valuation is justified by the Bursa Industrial Index, which is currently trading at a 21.0x PER.
- **Risk.** Delays in capacity expansion plans and a longer-than-expected timeline for integrating Smart equipment into production.

**Figure 1: Results Comparison**

FYE Jun (RM m)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY23	FY24	YoY (%)	5 Quarters Trend	Comments
Revenue	331.3	238.8	38.7	300.3	10.3	937.0	1,138.6	21.5		Higher sales volumes and ASP
Gross Profit	31.9	19.3	64.9	32.9	(3.1)	66.6	108.2	62.4		
Pre-tax profit	21.4	4.8	345.0	20.0	6.6	27.2	74.8	175.4		
Net profit	16.5	3.0	454.1	15.1	8.9	22.6	57.3	153.7		
Core net profit	16.5	3.0	454.1	15.1	8.9	22.6	57.3	153.7		
Core EPS (sen)	2.2	0.4	454.1	2.0	8.9	3.0	7.5	153.7		
GP margin (%)	9.6	8.1		11.0		7.1	9.5			
PBT margin (%)	6.5	2.0		6.7		2.9	6.6			
Core PATMI margin (%)	5.0	1.2		5.0		2.4	5.0			

Source: Company, Apex Securities

**Financial Highlights**
**Income Statement**

FYE Jun (RM m)	FY22	FY23	FY24	FY25F	FY26F
<b>Revenue</b>	<b>922.4</b>	<b>937.0</b>	<b>1138.6</b>	<b>1258.8</b>	<b>1321.8</b>
<b>Gross Profit</b>	<b>82.7</b>	<b>66.6</b>	<b>108.2</b>	<b>132.2</b>	<b>138.8</b>
<b>EBITDA</b>	<b>53.9</b>	<b>34.5</b>	<b>85.1</b>	<b>99.4</b>	<b>103.7</b>
Depreciation & Amortisation	-2.4	-2.6	-3.3	-4.4	-4.8
<b>EBIT</b>	<b>51.6</b>	<b>32.0</b>	<b>81.8</b>	<b>95.0</b>	<b>98.9</b>
Net Finance Income/ (Cost)	-15	-4.8	-7.0	-5.9	-4.6
Associates & JV	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>50.0</b>	<b>27.2</b>	<b>74.8</b>	<b>89.1</b>	<b>94.2</b>
Tax	-12.0	-4.6	-17.5	-16.9	-17.9
<b>Profit After Tax</b>	<b>38.0</b>	<b>22.6</b>	<b>57.3</b>	<b>72.2</b>	<b>76.3</b>
Minority Interest	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>38.0</b>	<b>22.6</b>	<b>57.3</b>	<b>72.2</b>	<b>76.3</b>
Exceptionals	0.0	0.0	0.0	0.0	0.0
<b>Core Net Profit</b>	<b>38.0</b>	<b>22.6</b>	<b>57.3</b>	<b>72.2</b>	<b>76.3</b>

**Key Ratios**

FYE Jun (RM m)	FY22	FY23	FY24	FY25F	FY26F
EBITDA margin	5.8%	3.7%	7.5%	7.9%	7.8%
EBIT margin	5.6%	3.4%	7.2%	7.6%	7.5%
PBT margin	5.4%	2.9%	6.6%	7.1%	7.1%
PAT margin	4.1%	2.4%	5.0%	5.7%	5.8%
NP margin	4.1%	2.4%	5.0%	5.7%	5.8%
Core NP margin	4.1%	2.4%	5.0%	5.7%	5.8%
Dividend yield	17%	3.0%	4.2%	4.2%	4.2%
ROE	34.3%	13.2%	25.3%	27.7%	26.0%
ROA	14.5%	7.1%	14.7%	17.1%	19.3%
Net gearing	73.1%	15.0%	35.3%	21.1%	Net Cash

**Key Assumptions**

FYE Jun (RM m)	FY22	FY23	FY24	FY25F	FY26F
Production capacity (MT)	142,000	166,000	190,000	200,000	210,000
Utilization rate	85%	85%	88%	89%	89%

**Valuations**

	FY26F
Core EPS (RM)	0.100
P/E multiple (x)	19.0
<b>Fair Value (RM)</b>	<b>1.90</b>

Source: Company, Apex Securities

**Balance Sheet**

FYE Jun (RM m)	FY22	FY23	FY24	FY25F	FY26F
<b>Cash</b>	<b>8.9</b>	<b>105.2</b>	<b>46.0</b>	<b>80.0</b>	<b>133.2</b>
Receivables	74.0	77.4	79.5	103.5	108.6
Inventories	130.1	85.6	209.8	166.1	76.9
Other current assets	0.0	2.2	0.4	1.9	2.0
<b>Total Current Assets</b>	<b>212.9</b>	<b>270.5</b>	<b>335.7</b>	<b>351.5</b>	<b>320.7</b>
Fixed Assets	42.3	42.9	47.8	63.2	69.0
Intangibles	4.5	6.7	6.6	6.6	6.6
Other non-current assets	2.3	0.0	0.0	0.0	0.0
<b>Total Non-current assets</b>	<b>49.1</b>	<b>49.6</b>	<b>54.4</b>	<b>69.9</b>	<b>75.6</b>
Short-term Debt	83.7	126.0	123.5	129.7	64.9
Payables	53.0	9.6	24.9	16.0	17.4
Other Current Liabilities	0.0	3.5	0.2	2.3	2.4
<b>Total Current Liabilities</b>	<b>139.5</b>	<b>139.1</b>	<b>154.8</b>	<b>150.2</b>	<b>87.0</b>
Long-term Debt	6.2	4.8	2.5	5.3	5.6
Other non-current liabilities	5.5	5.2	6.3	5.2	9.8
<b>Total Non-current Liabilities</b>	<b>11.7</b>	<b>10.0</b>	<b>8.8</b>	<b>10.5</b>	<b>15.4</b>
Shareholder's equity	110.9	171.0	226.5	260.6	294.0
Minority interest	0.0	0.0	0.0	0.0	0.0
<b>Total Equity</b>	<b>110.9</b>	<b>171.0</b>	<b>226.5</b>	<b>260.6</b>	<b>294.0</b>

**Cash Flow**

FYE Jun (RM m)	FY22	FY23	FY24	FY25F	FY26F
<b>Pre-tax profit</b>	<b>50.0</b>	<b>27.2</b>	<b>74.8</b>	<b>89.1</b>	<b>94.2</b>
Depreciation & amortisation	2.4	2.6	3.3	4.4	4.8
Changes in working capital	-26.7	-0.6	-108.5	7.5	85.6
Others	-9.9	-6.6	-26.8	-16.4	-15.7
<b>Operating cash flow</b>	<b>15.7</b>	<b>22.4</b>	<b>-41.3</b>	<b>84.6</b>	<b>168.9</b>
Net capex	-13.1	-3.6	-7.9	-20.1	-10.6
Others	-2.3	0.1	0.1	0.1	0.1
<b>Investing cash flow</b>	<b>-15.5</b>	<b>-3.5</b>	<b>-7.8</b>	<b>-20.1</b>	<b>-10.5</b>
Dividends paid	-15.0	-25.9	-26.3	-38.1	-43.0
Others	10.2	10.2	17.1	6.4	-64.6
<b>Financing cash flow</b>	<b>-4.8</b>	<b>76.5</b>	<b>-9.2</b>	<b>-31.6</b>	<b>-107.6</b>
<b>Net cash flow</b>	<b>-4.6</b>	<b>95.4</b>	<b>-58.3</b>	<b>32.9</b>	<b>50.8</b>
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	13.5	8.9	104.3	46.0	80.0
<b>Ending cash</b>	<b>8.9</b>	<b>104.3</b>	<b>46.0</b>	<b>80.0</b>	<b>133.2</b>

**APEX SECURITIES BERHAD – CONTACT LIST**

<b>APEX SECURITIES BHD</b>	<b>DEALING TEAM</b>	<b>RESEARCH TEAM</b>
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**RESEARCH RECOMMENDATION FRAMEWORK**

**STOCK RECOMMENDATIONS**

**BUY:** Total returns\* are expected to exceed 10% within the next 12 months.  
**HOLD:** Total returns\* are expected to be within +10% to – 10% within the next 12 months.  
**SELL:** Total returns\* are expected to be below -10% within the next 12 months.  
**TRADING BUY:** Total returns\* are expected to exceed 10% within the next 3 months.  
**TRADING SELL:** Total returns\* are expected to be below -10% within the next 3 months.  
 \*Capital gain + dividend yield

**SECTOR RECOMMENDATIONS**

**OVERWEIGHT:** The industry defined by the analyst is expected to exceed 10% within the next 12 months.  
**NEUTRAL:** The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.  
**UNDERWEIGHT:** The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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