

**Jayden Tan**

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<b>Recommendation:</b>	<b>BUY</b>
<b>Current Price:</b>	<b>RM 1.05</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>81.0%</b>

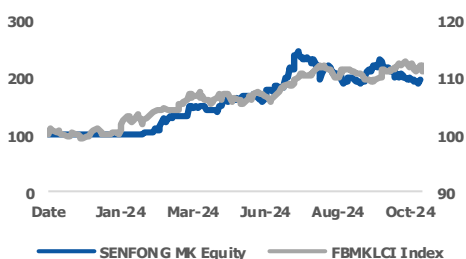
**Stock information**

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)	757.7
52-Week Price Range (RM)	0.559-1.35
Beta (x)	0.3
Free float (%)	20.5
3M Average Volume (m)	1.2
3M Average Value (RM' m)	1.4

**Top 3 Shareholders (%)**

Sumber Panji Sdn Bhd	60.6
E Tak Bin	7.6
Norges Bank	2.8

**Share Price Performance**



	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute (%)	-6.3	-10.3	86.7
Relative (%)	-3.8	-9.6	71.1

# Seng Fong Holdings Berhad

## Impacted by forex fluctuations










### Summary

- **1QFY25 core net profit at RM18.0m (+117.0% yoy, +9.1% qoq) came in line with our expectations at 25.0% of our full-year forecast of RM72.2m.**
- **Looking ahead, we expect the earnings growth to remains robust, driven by increased capacity and demand.**
- **We maintain our BUY recommendation with an unchanged target price of RM1.90, based on a PE multiple of 19.0x applied to the FY26F EPS of 10.0 sen.**

### Results Review

- **Results review.** In 1QFY25, Seng Fong reported a net profit of RM13.7m, representing a 65.1% yoy increase but a -17% qoq decline. The latter was primarily attributed to forex fluctuations during the quarter, resulting in a RM3.7m loss in foreign exchange derivatives and a RM0.6m unrealised loss. Revenue for the quarter, however, grew 64.1% yoy and 8.7% qoq to RM359.9m, driven by higher sales volumes and ASP. A dividend of 1.25 sen per share for the quarter was declared.
- **CNP in line with expectation.** Core net profit, excluding derivative and forex losses, stood at RM18.0, aligns with our projections, accounted for 25.0% of our full-year net profit forecast of RM72.2m.
- **Operations Highlights.** In 1Q25, sales were driven by higher volumes and ASP, with 47.3k MT sold, marking a 4.5% qoq increase and a 35.6% yoy rise. ASP improved to RM7.6k/MT, up 4% qoq and 21% yoy, supported by higher SMR prices.
- **Industry Highlights.** Rubber prices have surged due to supply constraints from adverse weather conditions that have curtailed output. We anticipate prices will remain elevated, driven by increased demand from China's stimulus plans aimed at boosting economic and manufacturing activities. The combination of firm demand coupled with existing supply shortages, is creating favourable outlook.
- **Outlook.** Looking ahead, we expect the Group to gradually increase its annual capacity to 200k in FY25F and 210k in FY26F, driven by the accelerated adoption of Smart Rubber manufacturing equipment across its three plants. One plant has already commenced trial runs and is on track to begin operations by the end of CY24. The launch of Smart manufacturing machines comes at an opportune time, enhancing capacity to meet expected rising demand, particularly from China.
- **Valuation.** With the reported results coming within expectations, we kept our forecast unchanged. We reiterate our **BUY** recommendation with an unchanged target price of RM1.90, based on a 19.0x PER on FY26 EPS of 10.0 sen.
- **Risk.** Delays in capacity expansion plans and a longer-than-expected timeline for integrating Smart equipment into production, along with fluctuations in forex and commodity prices, pose potential challenges.

**Figure 1: Results Comparison**

FYE Jun (RM m)	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)	3MFY24	3MFY25	YoY (%)	5 Quarters Trend	Comments
Revenue	359.9	219.4	64.1	331.3	8.7	219.4	359.9	64.1		Higher sales volumes and ASP
Gross Profit	30.9	14.9	108.0	31.9	(3.0)	14.9	30.9	108.0		
Pre-tax profit	17.3	10.8	60.2	21.4	(19.0)	10.8	17.3	60.2		
Net profit	13.7	8.3	65.1	16.5	(17.0)	8.3	13.7	65.1		
Core net profit	18.0	8.3	117.0	16.5	9.1	8.3	18.0	117.0		
Core EPS (sen)	2.4	1.1	117.0	2.2	9.1	1.1	2.4	117.0		
GP margin (%)	8.6	6.8		9.6		6.8	8.6			
PBT margin (%)	4.8	4.9		6.5		4.9	4.8			
Core PATMI margin (%)	5.0	3.8		5.0		3.8	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
P/E (x)	19.9	33.5	13.2	10.5	9.9
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	1.7%	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**

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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

**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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