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Recommendation:	BUY
Current Price:	RM 0.82
Previous Target Price:	RM 1.41
Target Price:	↓ RM 1.19
Capital Upside/Downside:	45.1%
Dividend Yield (%):	5.7%
Total Upside/Downside:	50.9%

Stock information

Board	MAIN
Sector	Industrial Service
Bursa / Bloomberg Code	5308 / SENFONG MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	721.7
Market Cap (RM' m)	591.8
52-Week Price Range (RM)	1.35-0.79
Beta (x)	0.5
Free float (%)	19.8
3M Average Volume (m)	0.5
3M Average Value (RM' m)	0.4

Top 3 Shareholders	(%)
Sumber Panji Sdn Bhd	61.3
E Tak Bin	7.6
Norges Bank	2.8

Share Price Performance



	1M	3M	12M
Absolute (%)	0.0	-6.8	-5.7
Relative (%)	-4.6	-6.3	-3.1

Earnings summary

FYE (Jun)	FY24	FY25F	FY26F
Revenue (RM'm)	1139	1464	1477
PATAMI (RM'm)	57.3	45.6	60.9
CNP (RM'm)	57.3	45.6	60.9
EPS - core (sen)	7.9	6.3	8.4
P/E (x)	12.0	15.0	11.3

Source: Company, Apex Securities

Seng Fong Holdings Berhad

Earnings miss on margin pressure, but recovery expected

- **9MFY25 CNP of RM31.7m (-22.4% yoy) after reported RM9.2m CNP in 3QFY25 came in below expectations, accounting for only 57% of our RM55.8m full-year forecast, despite revenue reaching 76%. The shortfall was due to GP margin compression from raw material cost timing mismatches amid elevated rubber prices. Declared a 1.0 sen quarterly dividend.**
- **We cut FY25F/FY26F earnings by -18%/-16% on lower GP margin and ASP assumptions, reflecting weaker near-term margin outlook and global trade-linked pricing volatility.**
- **Maintain BUY with a lower TP of RM1.19 (from RM1.41) based on 14.0x PER, advising accumulation on weakness. We remain confident in long-term growth, backed by capacity expansion and automation, and view the stock as a defensive yield play (~5% dividend yield) in a volatile market.**

CNP fell short of expectations. While revenue reached 76% of our full-year forecast which in line with expectations, 9MFY25 CNP of RM31.7m (-22.4% yoy) accounted for only 57% of our RM55.8m estimate, falling below expectations. The shortfall was mainly due to a reduction in GP margin, impacted by timing mismatches between raw material purchases and delivery, as rubber prices were elevated during the quarter under review. Despite this, the Group maintained its quarterly dividend distribution, declaring a 1.0 sen payout during the period.

YoY. 3QFY25 CNP declined 39.4% yoy to RM9.2m, largely due to a 5.7ppt drop in GP margin. The decline was attributed to volatile rubber raw material prices and mismatches in the timing of material purchases and revenue recognition upon delivery. Nonetheless, as the Group adopts a cost-plus pricing model, the higher ASP will be reflected in the subsequent quarter.

QoQ. CNP recovered by 4.1% qoq, while revenue rose 9.9% qoq, supported by a 10.3% increase in ASP to RM9,039/MTS. However, sales volume remained flat at ~44k MTS, which was lower than the peak level of 47k MTS, due to fewer production days during the quarter. The shorter operational period, caused by Chinese New Year, Hari Raya, and lower working days in Feb 2025, is estimated to have resulted in a volume shortfall of approximately 3k MTS.

Outlook. We note that fluctuating rubber raw material prices and timing mismatch may continue to temporarily impact profit margins. However, we expect strong rebound of margins in the next quarter, as high ASPs will be realised, while raw material prices (TSR) dropped ~16% in Apr 2025 due to uncertainties surrounding US trade policies. While lower rubber prices may affect ASP for long-term average contract customers, the anticipated recovery in sales volume to 47k MTS in the next quarter should help cushion the impact. According to our channel checks, demand remains robust, particularly from China's resilient automotive exports. The installed smart processing automation machine at one plant is running smoothly, and management is planning to install the next unit soon, which should enhance overall productivity and efficiency. This is expected to drive long-term capacity improvements and earnings growth.

Earnings Revision. Following the weaker than expected results, we have lowered our gross profit margin assumptions by 1% and 0.5% for FY25F and FY26F, respectively. We have also revised down our FY26F ASP assumption from RM8,100 to RM7,600 to reflect raw material price volatility linked to global trade uncertainty. As a result, our net earnings forecasts for FY25F and FY26F have been reduced by 18% and 16% to RM45.6m and RM60.9m respectively.

Valuation. Following the earnings downgrade, we have revised our target price lower to **RM1.19** (from RM1.41 previously), based on an unchanged P/E multiple of 14x. We maintain our **BUY** recommendation, advising investors to accumulate on weakness. Despite the volatility in rubber prices, we remain confident in the company's long-term prospects, underpinned by its capacity expansion plans. We also view the stock as a defensive play amid current market uncertainty, supported by its quarterly dividend distribution, offering an attractive yield of approximately 5%.

Risks. 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.

Results Note

Monday, 19 May, 2025

Results Comparison

FYE Jun (RM m)	3QFY25	3QFY24	yoy (%)	2QFY25	qoq (%)	9MFY25	9MFY24	yoy (%)	Comments
Revenue	398.0	300.3	32.5	362.0	9.9	1,119.9	807.4	38.7	Higher revenue due to higher ASP
Grossprofit	20.7	32.9	(37.0)	16.9	22.4	68.6	76.4	(10.2)	
Pre-tax profit	12.5	20.0	(37.7)	10.9	14.5	40.7	53.4	(23.9)	
Net profit	9.2	15.1	(39.4)	8.8	4.1	31.7	40.8	(22.4)	
Core net profit	9.2	15.1	(39.4)	8.8	4.1	31.7	40.8	(22.4)	
Core EPS (sen)	1.3	2.1	(39.4)	1.2	4.1	6.7	5.7	18.0	
GP margin (%)	5.2	11.0		4.7		6.1	9.5		Slumped in GP margin due to
PBT margin (%)	3.1	6.7		3.0		3.6	6.6		fluctuation of raw materials
Core net profit margin (%)	2.3	5.0		2.4		2.8	5.1		

Source: Company, Apex Securities

Financial Highlights

Income Statement

FYE Jun (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue	922.4	937.0	1138.6	1464.3	1477.3
Gross Profit	82.7	66.6	108.2	105.4	125.6
EBITDA	53.9	34.5	85.1	66.8	86.0
Depreciation & Amortisation	-2.4	-2.6	-3.3	-4.6	-5.1
EBIT	51.6	32.0	81.8	62.2	81.0
Net Finance Income/ (Cost)	-1.5	-4.8	-7.0	-5.9	-5.8
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	50.0	27.2	74.8	56.3	75.2
Tax	-12.0	-4.6	-17.5	-10.7	-14.3
Profit After Tax	38.0	22.6	57.3	45.6	60.9
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	38.0	22.6	57.3	45.6	60.9
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	38.0	22.6	57.3	45.6	60.9

Key Ratios

FYE Jun	FY22	FY23	FY24	FY25F	FY26F
EPS (sen)	5.3	3.1	7.9	6.3	8.4
P/E (x)	18.0	30.3	12.0	15.0	11.3
P/B (x)	6.2	4.0	3.0	2.9	2.7
EV/ EBITDA (x)	11.2	19.1	7.1	9.2	7.3
DPS (sen)	2.9	5.0	5.0	4.5	4.7
Dividend Yield (%)	3.0%	5.3%	5.3%	4.7%	4.9%
EBITDA margin (%)	5.8%	3.7%	7.5%	4.6%	5.8%
EBIT margin (%)	5.6%	3.4%	7.2%	4.3%	5.5%
PBT margin (%)	5.4%	2.9%	6.6%	3.8%	5.1%
PAT margin (%)	4.1%	2.4%	5.0%	3.1%	4.1%
NP margin (%)	4.1%	2.4%	5.0%	3.1%	4.1%
CNP margin (%)	4.1%	2.4%	5.0%	3.1%	4.1%
ROE (%)	34.3%	13.2%	25.3%	19.0%	23.6%
ROA (%)	14.5%	7.1%	14.7%	11.2%	14.9%
Gearing (%)	81.1%	76.5%	55.6%	56.3%	47.5%
Net gearing (%)	73.1%	15.0%	35.3%	28.9%	21.3%

Valuations

	FY26F
Core EPS (RM)	0.084
P/E multiple (x)	14.0
Fair Value (RM)	1.19
ESG premium/discount	0.0%
Implied Fair Value (RM)	1.19

Source: Company, Apex Securities

Balance Sheet

FYE Jun (RM m)	FY22	FY23	FY24	FY25F	FY26F
Cash	8.9	105.2	46.0	65.9	67.5
Receivables	74.0	77.4	79.5	120.4	121.4
Inventories	130.1	85.6	209.8	142.2	135.0
Other current assets	0.0	2.2	0.4	2.2	2.2
Total Current Assets	212.9	270.5	335.7	330.6	326.1
Fixed Assets	42.3	42.9	47.8	66.3	73.1
Intangibles	4.5	6.7	6.6	6.6	6.6
Other non-current assets	2.3	0.0	0.0	2.3	1.6
Total Non-current assets	49.1	49.6	54.4	75.3	81.3
Short-term Debt	83.7	126.0	123.5	129.7	116.7
Payables	53.0	9.6	24.9	19.5	18.6
Other Current Liabilities	0.0	3.5	0.2	2.7	0.0
Total Current Liabilities	139.5	139.1	154.8	154.7	138.1
Long-term Debt	6.2	4.8	2.5	5.3	5.6
Other non-current liabilities	5.5	5.2	6.3	6.3	6.3
Total Non-current Liabilities	11.7	10.0	8.8	11.6	11.9
Shareholder's equity	110.9	171.0	226.5	239.6	257.5
Minority interest	0.0	0.0	0.0	0.0	0.0
Total Equity	110.9	171.0	226.5	239.6	257.5

Cash Flow

FYE Jun (RM m)	FY22	FY23	FY24	FY25F	FY26F
Pre-tax profit	50.0	27.2	74.8	56.3	75.2
Depreciation & amortisation	2.4	2.6	3.3	4.6	5.1
Changes in working capital	-26.7	-0.6	-108.5	18.7	2.5
Others	-9.9	-6.6	-26.8	-10.3	-13.6
Operating cash flow	15.7	22.4	-41.3	69.3	69.1
Net capex	-13.1	-3.6	-7.9	-23.4	-11.8
Others	-2.3	0.1	0.1	0.1	0.1
Investing cash flow	-15.5	-3.5	-7.8	-23.4	-11.8
Dividends paid	-15.0	-25.9	-26.3	-32.5	-43.0
Others	10.2	102.4	17.1	6.4	-12.7
Financing cash flow	-4.8	76.5	-9.2	-26.0	-55.7
Net cash flow	-4.6	95.4	-58.3	19.9	1.6
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	65.9
Ending cash	8.9	104.3	46.0	65.9	67.5

Products volume sold and ASP

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
Metric tones sold	38,102	34,836	41,268	42,679	45,239	47,250	44,171	44,029
ASP	6,202	6,298	6,724	7,037	7,323	7,617	8,195	9,039

Source: Company, Apex Securities

Source: Company, Apex Securities

Results Note

Monday, 19 May, 2025

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Achieved significant reduction in carbon emissions by adopting biomass energy and solar power.
Waste & Effluent	★★★	Implemented waste reduction initiatives and efficient effluent treatment system for water reuse.
Energy	★★★	Increased renewable energy use via biomass systems and solar panels, reducing reliance on fossil fuels.
Water	★★★	Water consumption reduced to 73,515 m ³ in FY2024 from 87,924 m ³ ; full water recycling system implemented.
Compliance	★★★	Adherence to environmental laws including ISO standards and Malaysian regulatory requirements.

Social

Diversity	★★★	Established a Non-Discrimination and Diversity Policy ensuring equal opportunities at all levels.
Human Rights	★★★	Zero cases of substantiated complaints concerning human rights violations and average 17.2 training hours per employee.
Occupational Safety and Health	★★★	Zero cases of work-related fatalities and Lost time incident rate = 0.4.
Labour Practices	★★★	Compliance with fair labor practices, ensuring industry-standard wages and benefits.

Governance

CSR Strategy	★★★	Strong commitment to CSR, including environmental sustainability and community support.
Management	★★★	100% of senior management trained on anti-corruption policies, with zero reported cases in FY2024.
Stakeholders	★★★	2x analyst briefings per annum, 1x AGM per annum

Overall ESG Scoring: ★★★

Recommendation Framework:

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.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.