

SKB Shutters Corporation Berhad (7115)



Rolling out the shutter

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BUY (Initiation)

TP: RM 1.24 (+62%)

Current Share Price: RM 0.765

Value

Investment Horizon

12 months

Valuation

Our target price is based on:

FY25F PE of 10x, in line with its indirect peers as serving the same industry. We are projecting stronger earnings growth from shutters & doors segment driven by more projects ahead.

Benefits from investment growth in Malaysia



We believe that SKBSHUT can benefit from the resurgence of increase investment (DDI and FDI) in the industrial sector in Malaysia, as they are the preferred supplier of roller shutters, steel doors and rack systems for major MNCs and contractors. Our current revenue projection of 3-10% from FY25F-27F is slower than the last 2-3 years of 15-50% was due to both the constraint of its capacity (utilization at 70%) and the delivery timeline of its customers, mainly from the industrial sector. The new plant which is due to complete in 2025 will start contributing meaningfully from FY27F. SKBSHUT could also benefit from the increase in infrastructure projects around the region, as they were also the supplier for several key infrastructure projects like, MRT Line 1&2 in KL, and the Changi International Airport in Singapore.

Potential bonus from data centres



Apart from industrial and infrastructure projects, we believe SKBSHUT could also benefit from the rise in data centre projects in Malaysia, given its previous track record as data centers related project had contributed to around 20% of its revenue in FY23. It was reported that Malaysia data centre is expected to increase its capacity by 1.2GW, which represents 600% growth over the next 5 years, and growing. The shutters and steel doors for data centre also has higher margin due the required product specification with shorter delivery timelines. We believe there could be upside surprise to our forecast, as we have only factor in 10% of revenue from the data centre project.

Better profitability and turnaround FCF

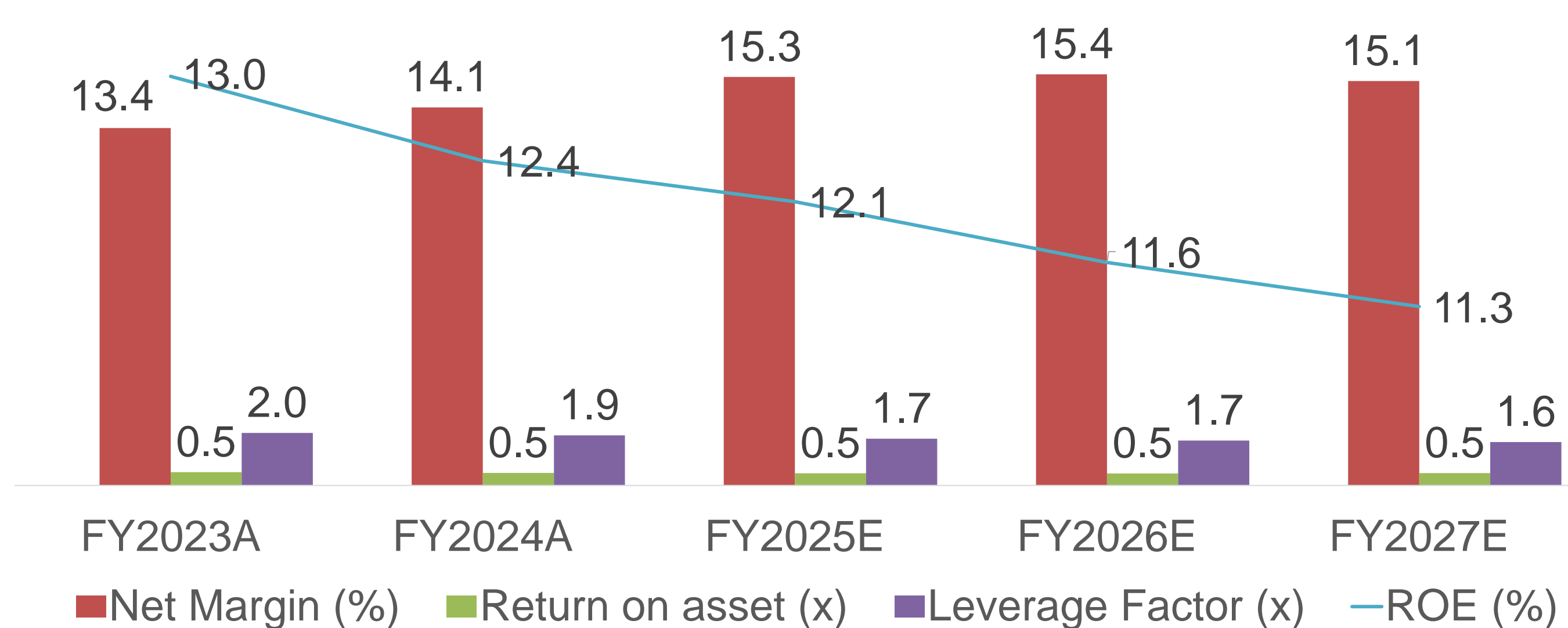


SKBSHUT has strategically introduced innovative products like flood shutters, fire-resistant doors, and custom storage solutions, sparking a replacement cycle for conventional offerings. These high-margin products, especially appealing in disaster-prone regions, yield 10-20% more than standard lines. Management is shifting focus to these premium offerings and is committed to further margin growth through operational efficiencies and lower raw material costs. We project margin improvement from 14% in FY24 to 17% in FY25-FY27. Although free cash flow is negative in FY23 and FY24 due to capex for a new plant, we anticipate positive cash flow turnaround in our forecast.

Financial Exhibits

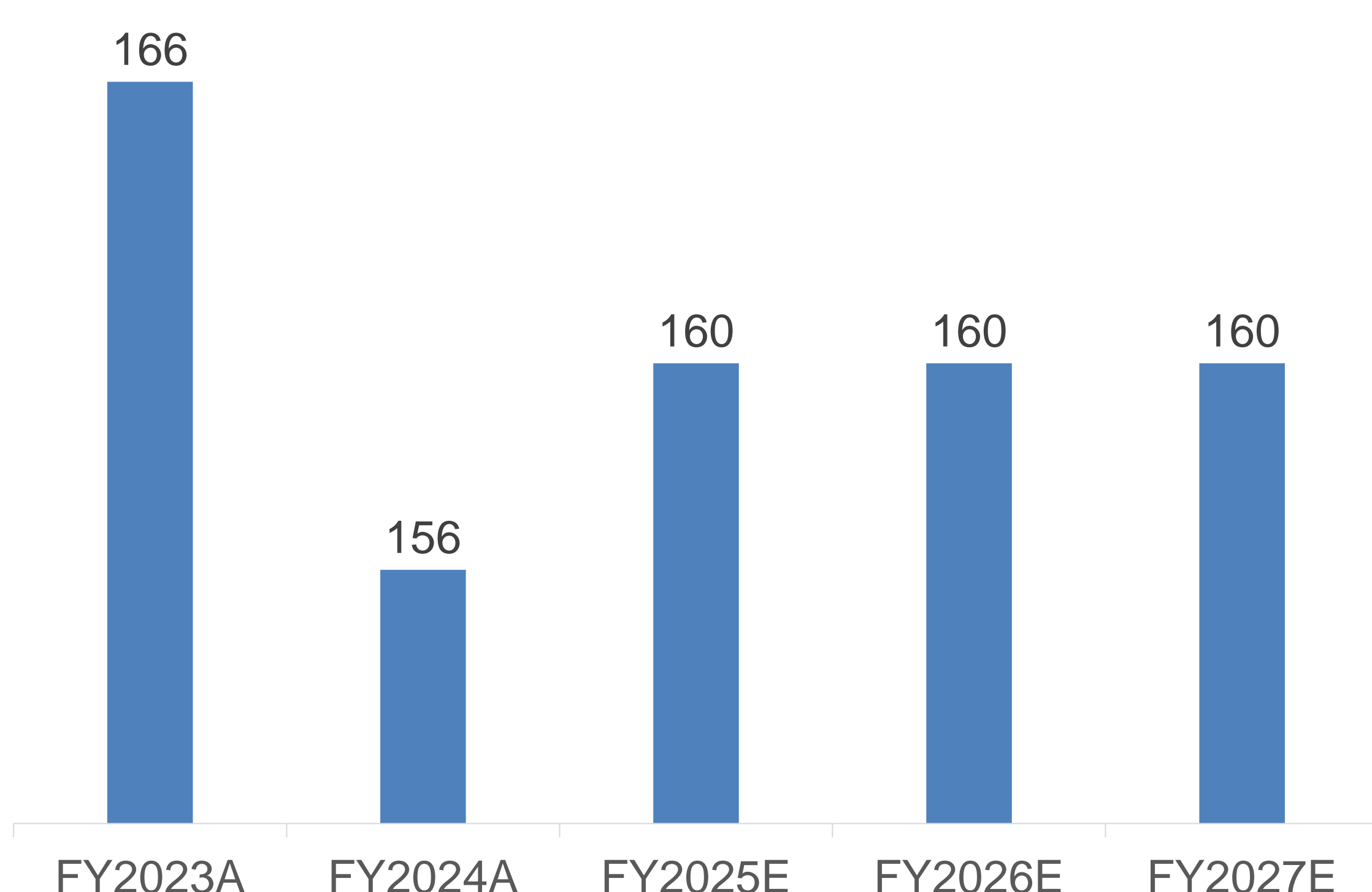
FYE 31 Dec	FY2023A	FY2024A	FY2025E	FY2026E	FY2027E
Revenue (RMm)	112.1	115.7	118.9	128.7	143.5
EBITDA (RMm)	24.4	28.3	31.1	34.4	37.8
Pretax profit (RMm)	18.4	22.0	24.2	26.4	28.9
Net profit (RMm)	15.0	16.4	18.2	19.8	21.7
EPS (sen)	11.4	11.9	13.3	14.4	15.8
PER (x)	6.7	6.4	5.8	5.3	4.8
Core net profit (RMm)	15.0	16.4	18.2	19.8	21.7
Core EPS (sen)	11.4	11.9	13.3	14.4	15.8
Core EPS growth (%)	56.3	5.1	11.0	9.0	9.6
Core PER (x)	6.7	6.4	5.8	5.3	4.8
Net DPS (sen)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	13.0	12.4	12.1	11.6	11.3
P/BV (x)	0.9	0.8	0.7	0.6	0.5

Return of Equity

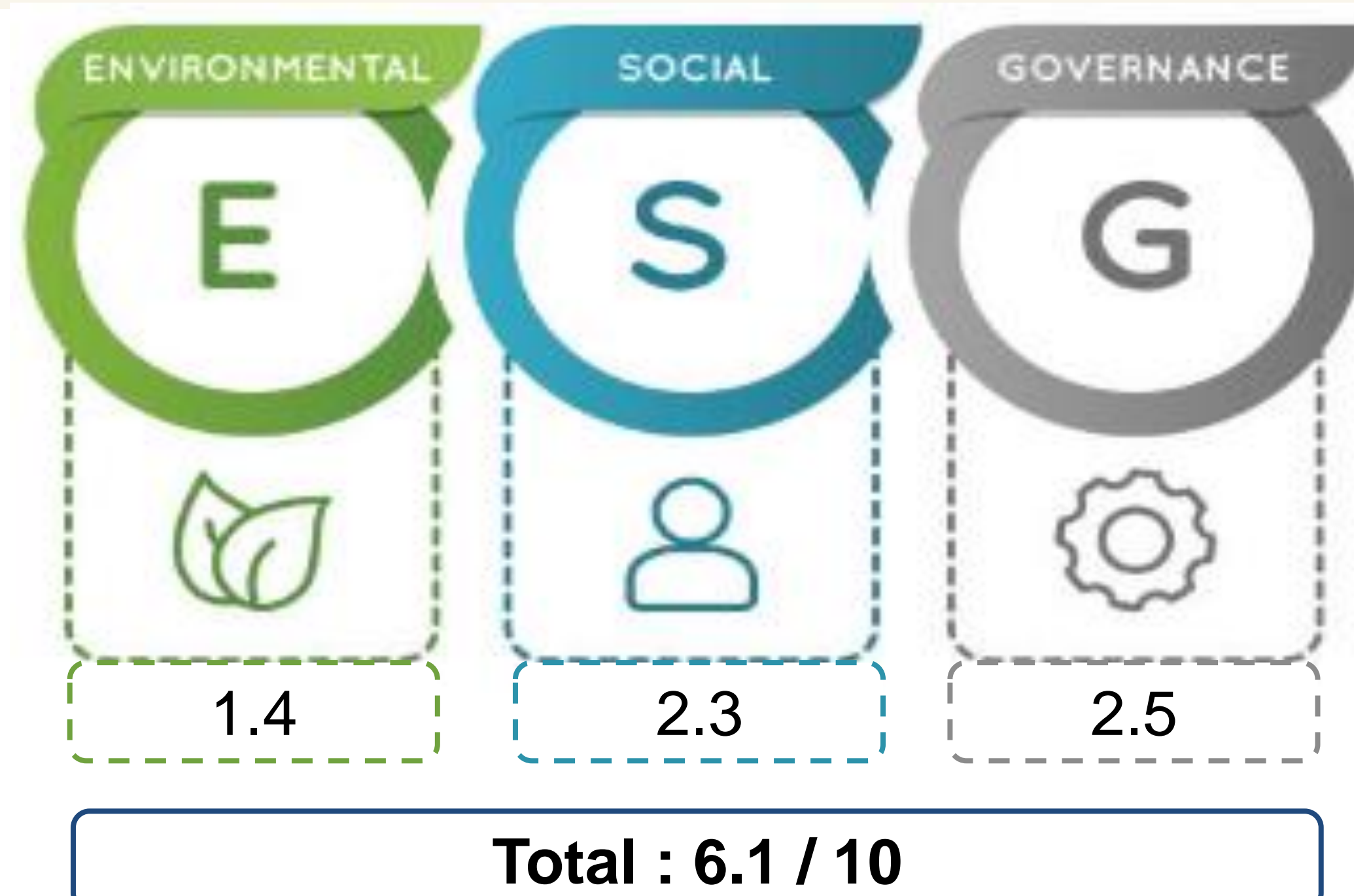


We project the ROE to stay above 11% from FY25F to FY27F, as the company is reinvesting profits for future growth like new plant expansion.

Cash Conversion Cycle



ESG Matrix



Based on FY23 annual report

Key Assumptions

	Revenue Growth	FY2025E	FY2026E	FY2027E
	Shutters and Doors	7%	10%	14%
	Racking Storage System	3%	3%	3%

Company Background

SKB Shutters Corporation Berhad is a Malaysia-based company specializing in manufacturing and supplying roller shutters, steel doors, and storage systems. Established in 1957, it is a family-run business, and current management is third generation. SKB has grown into a leading provider of high-quality and innovative security solutions for commercial, industrial, and residential applications, while shutter doors typically have a life span of 30-35 years. SKB Shutters also exports its products to various international markets, constituting 25% of total FY23 revenue, showcasing its global reach and industry expertise.

SWOT Analysis

Strengths

- Established reputation for quality and reliability
- Strong engineering capabilities
- Global presence
- Diverse product range for different functionality

Weakness

- Dependence on construction sector
- Limited capacity

Opportunities

- Expansion into new markets
- Sustainability trends on focusing green building and energy-efficient solutions
- Technological advancements

Threat

- Economic downturns
- Intense competition
- Raising material costs

Peer Comparison

Name	Last price	Market Cap	FYE	Earnings Growth			PE		Div. Yield		ROE
				1-yr Fwd	2-yr Fwd	Hist.	1-yr Fwd	2-yr Fwd	1-yr Fwd	Hist.	
UNITED U-LI CORP BHD	1.78	402.9	12/2024	-0.5	52.6	10.6	9.7	6.3	3.3	10.1	
BWYS GROUP BHD	0.25	251.2	12/2024	26.0	23.8	14.5	10.7	8.7	1.7	12.9	
Simple Avg				12.7	38.2	12.5	10.2	7.5	2.5	11.5	
SKB SHUTTERS CORP BHD	0.74	104.7	06/2025	11.0	9.0	7.3	6.9	6.4	0.0	13.2	

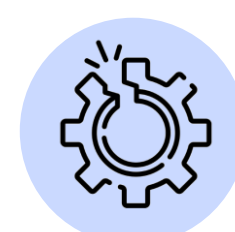
As 28 October 2024

Investment Risk

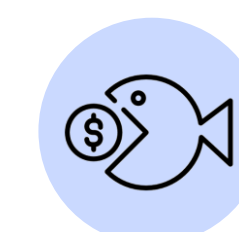
The following represent the greatest risks to our investment thesis:



Regulatory and compliance risk



Product failures or defects



Rising material costs



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