Farm Price Holdings Berhad (0304)

Unexpected higher input cost

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HOLD

TP: RM 0.50 (-1%)

Current Share Price: RM 0.505

Result Report

Growth

Investment Horizon
12 months

Valuation

Our target price is based on:

DCF valuation with TG of 1.5% and WACC of 8.6%. We are projecting stronger earnings growth from its wholesale distribution segment.

Results Review

FPHB's 1QFY25 core net profit of RM2.5mil came below at 18% of our and 7% of consensus. The shortfall was primarily due to higher cost which affected the gross profit. Thus, we cut FY25F earnings by 8% to reflect impact of higher raw material cost. QoQ basis, 1QFY25 revenue decreased by 4% was likely due to lower demand. Its core net profit declined by 21% was due to decline in gross margin by 2.8%-points given poor harvesting season which led to higher cost.

Outlook

Management will hold an earnings call on 27 May, where we expect more updates on the distribution centers and its 2025 outlook. The completion of the new plant remain intact by 4Q25, which will significantly improve both capacity and storage capabilities. We believe the distribution centers are still in the ramp-up phase and will require more time to effectively penetrate the surrounding markets. Despite higher raw material cost which affected the earnings, we maintain our revenue assumptions for FY25F-FY27F. We downgraded our call to HOLD (from BUY) with a lower TP of RM0.50 (from RM0.55) based on DCF valuation.

Key Assumptions

Revenue Growth	Before			After		
	FY2025F	FY2026F	FY2027F	FY2025F	FY2026F	FY2027F
Wholesale Distribution Segment	18%	23%	9%	18%	23%	9%
Retailing Segment	5%	5%	5%	5%	5%	5%

Results Summary

FYE 31 Dec (RMm)	1QFY24	4QFY24	1QFY25	QoQ (%)	QoQ (%)
Revenue	30.7	31.1	29.8	*-4.1*	*-2.9*
Gross profit	7.0	7.3	6.2	*-15.6*	*-12.6*
EBITDA	3.9	4.9	4.0	*-18.1*	*2.5*
Depreciation	-0.5	-0.5	-0.6	*-18.0*	*-26.4*
EBIT	3.5	4.4	3.5	*-22.1*	*-0.6*
Pretax Profit	3.3	4.2	3.3	*-22.4*	*-1.9*
Taxation	-0.7	-1.1	-0.8	*23.7*	*-18.1*
Net Profit	2.7	3.2	2.5	*-22.0*	*-7.1*
Core Net Profit	2.7	3.2	2.5	*-21.0*	*-5.9*
Margin (%)					
GP	23.0	23.5	20.7		
EBITDA	12.8	15.8	13.5		
Pretax	10.9	13.6	11.0		
Core Net Profit	8.6	10.2	8.4		

Financial Exhibits

FYE 31 Dec	FY2023A	FY2024A	FY2025F	FY2026F	FY2027F
Revenue (RMm)	114.2	123.0	145.7	177.6	192.7
EBITDA (RMm)	12.0	14.8	15.6	20.0	21.4
Pretax profit (RMm)	11.8	14.0	17.3	22.0	24.1
Net profit (RMm)	8.7	10.3	12.9	16.3	17.8
EPS (sen)	2.50	2.30	2.88	3.62	3.96
PER (x)	20.2	22.0	17.6	14.0	12.7
Core net profit (RMm)	8.7	11.6	12.9	16.3	17.8
Core EPS (sen)	2.5	2.6	2.9	3.6	4.0
Core EPS growth (%)	83.3	3.2	11.5	25.8	9.5
Core PER (x)	20.2	19.6	17.6	14.0	12.7
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 (%)	35.2	17.6	17.9	18.4	0.0
P/BV (x)	9.2	3.9	3.1	2.6	2.1

Tradeview Research Investment Rating System

Equity:

BUY: Total stock return expected to exceed +15% over 12-month period

HOLD: Total stock return to be between -15% and +15% over a 12-month period

SELL: Total stock return expected to below -15% over a 12-month period

TRADING BUY: Total stock return expected to exceed +10% over 6-month period

TRADING SELL: Total stock return expected to below -10% over a 6-month period