Kumpulan Perangsang Selangor Berhad (5843)

Cautious Outlook Ahead

By Tan Jia Hui / jiahui@tradeviewcapital.my

HOLD ↔

TP: RM 0.63 (+2%) ↔

Current Share Price: RM 0.62

Valuation

Our target price is based on:

FY26F PE of 9x, which is in line with its 5-year historical PE, and -1 std dev below its peers average PE of 17x, justified by its smaller market capitalization and lower profit margin.

Results Report | Growth | Investment Horizon : 12 months

Results Review

We view KPS's 9MFY25 earnings of RM29mn as within expectations, representing 85% of our full-year forecast. We anticipate weaker earnings in 4QFY25 due to the highly competitive packaging industry and the gradual recovery of the manufacturing sector following the tariff implementation. QoQ, core PATAMI declined 29%, driven by an unfavourable product mix after upfront loading in the manufacturing division during the previous quarter, as well as the exclusion of RM10mn gain from the disposal of CBB's Nilai plant. CBB continues to face challenges in its carton and paper divisions. The group declared interim dividend of 1sen, which in line with our assumption.

Outlook

Moving forward, we remain cautious across all divisions given the ongoing macroeconomic uncertainties. The manufacturing divisions, Toyoplas, CPI and MDS are expected to experience bumpy revenue growth in the coming quarters, as customers are still recalibrating their portfolios to align with shifting market conditions following the tariff implementation. Meanwhile, its subsidiary, CBB, continues to face intense competitive pressure in the low-margin packaging industry. The trading division, Aqua-Flo, remains stable, supported by miscellaneous project deliveries and a stronger market position through strategic contract wins and operational improvements. Overall, we keep our earnings forecast unchanged and maintain our HOLD call with an unchanged target price of RM0.63, based on 9x FY26F PE.

Key Assumption

		Unchanged	
Revenue growth	FY2025F	FY2026F	FY2027F
Manufacturing	4%	6%	5%
Trading	1%	2%	2%

Results Summary

FYE 31 Dec (RMmn)	3QFY24	2QFY25	3QFY25	QoQ (%)	YoY (%)	9MFY24	9MFY25	YoY (%)
Revenue	275.6	268.8	268.7	*-0.1*	*-2.5*	818.5	781.1	*-4.6*
Gross profit	54.6	50.3	49.1	*-2.6*	*-10.2*	155.3	141.4	*-9.0*
EBITDA	31.1	9.0	11.0	*21.6*	*-64.8*	126.7	89.5	*-29.4*
Depreciation	10.8	9.0	11.0	*21.6*	*1.2*	29.5	30.3	*2.7*
EBIT	11.2	19.8	25.7	*30.0*	*129.3*	97.2	59.2	*-39.1*
Pretax Profit	9.5	17.6	25.0	*42.3*	*164.5*	84.4	54.9	*-35.0*
Taxation	-4.9	-4.6	-3.9	*-15.3*	*-20.1*	-19.4	-12.6	*35.0*
Net Profit	3.8	11.7	19.9	*69.8*	*418.1*	61.2	39.2	*-35.9*
Core PATAMI	11.6	13.0	9.3	*-28.6*	*-20.1*	5.4	29.1	*>100*
Margin (%)								
GP	19.8	18.7	18.3			19.0	18.1	
EBITDA	11.3	3.4	4.1			15.5	11.5	
Pretax	3.4	6.5	9.3			10.3	7.0	
Net Profit	4.2	4.8	3.5			0.7	3.7	

Financial Exhibits

FYE 31 Dec	FY2023A	FY2024A	FY2025F	FY2026F	FY2027F
Revenue (RMmn)	1,046.1	1,064.7	1,097.8	1,156.4	1,208.8
EBITDA (RMmn)	90.5	106.6	81.3	85.7	87.7
Pretax profit (RMmn)	15.9	52.6	49.5	54.3	57.1
Net profit (RMmn)	(1.6)	17.9	34.3	37.8	39.7
EPS (sen)	(0.3)	3.3	6.4	7.0	7.4
PER (x)	(208.4)	18.6	9.7	8.8	8.4
Core net profit (RMmn)	2.6	18.4	34.3	37.8	39.7
Core EPS (sen)	0.5	3.5	6.4	7.1	7.4
Core EPS growth (%)	(87.5)	633.0	82.9	10.9	4.2
Core PER (x)	129.8	17.7	9.7	8.7	8.4
Net DPS (sen)	2.0	3.0	2.0	3.0	3.0
Dividend Yield (%)	4.0	5.0	4.0	5.0	5.0
ROE (%)	0.2	1.7	3.1	3.3	3.4
P/BV (x)	0.4	0.3	0.3	0.3	0.3

Financial Exhibits

Income statement

FYE 31 Dec (RMmn)	FY2023A	FY2024A	FY2025F	FY2026F	FY2027F
Revenue	1,046.1	1,064.7	1,097.8	1,156.4	1,208.8
Operating expenses	(955.6)	(958.2)	(1,016.5)	(1,070.7)	(1,121.0)
EBITDA	**90.5**	**106.6**	**81.3**	**85.7**	**87.7**
Depreciation	(51.7)	(40.1)	(30.3)	(30.2)	(29.7)
EBIT	**38.8**	**66.5**	**51.0**	**55.5**	**58.0**
Net int income/(expense)	(26.7)	(18.6)	(7.0)	(7.0)	(7.0)
Exceptional gains /(losses)	4.2	0.5	0.0	0.0	0.0
Associates' contribution	3.8	4.8	5.5	5.8	6.0
Pretax profit	**15.9**	**52.6**	**49.5**	**54.3**	**57.1**
Tax	(14.5)	(33.5)	(11.9)	(13.0)	(13.7)
Minority interest	(3.0)	(1.2)	(3.3)	(3.5)	(3.6)
Net profit	**(1.6)**	**17.9**	**34.3**	**37.8**	**39.7**
Core PATAMI	**2.6**	**18.4**	**34.3**	**37.8**	**39.7**

Balance Sheet Statement

FYE 31 Dec (RMmn)	FY2023A	FY2024A	FY2025F	FY2026F	FY2027F
Fixed assets	445.2	420.1	513.5	536.1	529.0
Other long term assets	338.7	346.5	346.5	346.5	346.5
Total non-current assets	**783.9**	**766.5**	**860.0**	**882.6**	**875.5**
Cash and equivalents	440.6	385.6	302.4	285.3	302.0
Inventories	125.1	120.4	143.3	150.5	157.5
Receivables	316.9	324.7	348.9	367.5	387.5
Other current assets	7.5	6.6	6.6	6.6	6.6
Total current assets	**890.1**	**837.2**	**801.2**	**809.9**	**853.5**
Payables	220.1	215.0	249.1	257.0	268.8
Short term borrowings	107.1	102.4	102.4	102.4	102.4
Other current liabilities	28.1	27.6	28.4	30.0	31.3
Total current liabilities	**355.3**	**345.0**	**380.0**	**389.4**	**402.6**
Long term borrowings	359.2	72.7	72.7	72.7	72.7
Other long term liabilities	87.1	68.0	70.1	73.8	77.2
Total long term liab.	**446.4**	**140.7**	**142.8**	**146.6**	**149.9**
Shareholders' Funds	**1,062.5**	**1,088.7**	**1,112.3**	**1,133.9**	**1,157.6**
Minority Interest	**150.0**	**29.4**	**26.1**	**22.6**	**19.0**

Cash Flow Statement

FYE 31 Dec (RMmn)	FY2023A	FY2024A	FY2025F	FY2026F	FY2027F
Pretax Profit	15.9	52.6	49.5	54.3	57.1
Depreciation & amortisation	59.5	49.6	60.5	60.4	59.4
Working capital changes	82.7	(11.1)	(13.0)	(18.0)	(15.1)
Others	10.7	(81.7)	(15.2)	(16.5)	(17.3)
C/F from operation	**168.7**	**9.4**	**81.9**	**80.2**	**84.0**
Capex	(44.7)	(29.8)	(28.9)	(28.9)	(28.9)
Others	76.3	334.7	0.0	0.0	0.0
C/F from investing	**31.7**	**304.9**	**(28.9)**	**(28.9)**	**(28.9)**
Debt raised/(repaid)	(72.3)	(291.1)	0.0	0.0	0.0
Dividends paid	(26.7)	(42.6)	(10.7)	(16.1)	(16.1)
Others	(26.6)	(29.9)	0.0	0.0	0.0
C/F from financing	**(125.6)**	**(363.6)**	**(10.7)**	**(16.1)**	**(16.1)**
Net change in cash flow	**74.9**	**(49.2)**	**42.3**	**35.2**	**39.0**
Free Cash Flow	**124.1**	**(20.4)**	**53.0**	**51.4**	**55.1**

Investment Risk

1. Cyclical exposure to global E&E demand. KPS remains materially exposed to global consumer electronics and semiconductor cycles, where demand volatility may impact order flows, utilisation rates and margins. A slower-than-expected sector recovery could delay earnings normalisation, particularly across Toyoplas and CPI

2. Customer concentration risk. Certain subsidiaries, especially Toyoplas and MDS, have significant reliance on a few key customers. Any reduction in orders, shift in sourcing strategy, or loss of major customer contract may meaningfully affect revenue visibility and growth momentum.

3. Execution & operational efficiency risk. KPS is still in the midst of optimising operations post-restructuring initiatives and capacity realignment. Execution risk remains particularly in scaling utilisation, sustaining cost efficiencies, and transitioning into higher-value production segment to drive margin expansion

4. Acquisition & integration risk. As KPS retains strategic flexibility for potential inorganic growth, future M&A activity could introduce execution and integration risks, including unforeseen liabilities, earnings dilution, or prolonged turnaround periods.

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