

Kumpulan Perangsang Selangor Berhad (5843)

Tough Quarter, Tougher Outlook

Bloomberg Ticker: KUPS MK | Investment Horizon: 12 Months

Recommendation

We downgrade our call to SELL (from HOLD) with lower target price of RM0.41 (from RM0.63), based on unchanged FY26F PE of 9x, reflect on deteriorating business performance amid weakening demand conditions.

Results Review

KPS's 1QFY26 core earnings of RM3.7mn came below expectations, at 10% of our and consensus full year forecast. The negative variance was due to weaker contributions from manufacturing segments across all subsidiaries.

YoY, 1QFY26 core earnings declined by 45% in tandem with a drop in revenue of 15%, primarily due to weaker contributions from the manufacturing and trading segments.

On a QoQ basis, revenue declined by 21% due to lower revenue from the manufacturing and trading sectors, following reduced demand after the stock push-out in the previous quarters. Core PATAMI surged by 113%, mainly due to better product mix as the EBITDA margin improved 4.6ppt to 14% and a lower effective tax rate (60% vs 67% in 4QFY25).

Outlook

We maintain a cautious outlook across all divisions given ongoing macroeconomic uncertainties. For the manufacturing operations, Toyoplas, CPI, and MDS. We anticipate uneven revenue performance in the near term as customers adjust their product portfolios amid shifting demand dynamics and softer consumer sentiment. Subsidiary CBB faces continued pressure from intense competition in the structurally low-margin packaging segment, which is likely to limit margin improvement. Conversely, the trading division, Aqua-Flo, should deliver steady performance supported by reliable demand from domestic water operators and existing supply contracts with key customers.

Forecast

We cut FY26F-FY28F earnings by 21%-35% to reflect the weaker contribution from the manufacturing segment amid soft consumer sentiment and global uncertainties from the geopolitical tensions.

Investment Risk to our Call

(i) Cyclical exposure to global E&E demand, (ii) customer concentration risk, (iii) execution & operational efficiency risk, and (iv) acquisition & integration risk.

SELL ↓

Target Price: RM0.41 (-28%) ↓

Current Share Price: RM0.57

**Main Market
Industrial Products & Services**

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Company Overview

KPS is a diversified manufacturing-focused investment group with core operations in precision plastics, electronic manufacturing service (EMS), computer numerical control (CNC) machining and packaging, serving global electrical & electronic (E&E), consumer and industrial customers.

Stock Information

Market Cap (RM'mn)	306.3
Issued Shares (mn)	537.4
52W High (RM)	0.71
52W Low (RM)	0.52
Estimated Free Float (%)	27.2
Beta vs FBM KLCI	0.4
3-month Average Vol. (mn)	0.1
Shariah Compliant	Yes

Consensus	FY25A	FY26F	FY27F
EPS (sen)	7.3	5.7	6.1
TP (RM)	High	Mean	Low
	0.65	0.63	0.60
Ratings	Buy	Hold	Sell
	0	4	0

Category	Score	Materiality	Weighted Score
Environmental	34	25%	1.7
Social	41	35%	2.9
Governance	37	40%	3.0
Total	112	100%	7.5

Results Summary

FYE 31 Dec (RMmn)	1QFY25	4QFY25	1QFY26	QoQ (%)	YoY (%)
Revenue	243.5	262.3	208.2	-20.7	-14.5
Gross profit	42.0	44.9	37.5	-16.6	-10.7
EBITDA	34.4	24.9	29.4	18.3	-14.3
Depreciation	10.3	10.8	11.3	5.3	9.9
EBIT	13.7	4.8	8.6	77.4	-37.3
Pretax Profit	12.3	3.4	6.8	101.2	-45.0
Taxation	-4.1	-2.3	-4.1	80.3	-0.5
Net Profit	7.5	0.1	1.4	1208.2	-80.9
Core PATAMI	6.7	1.8	3.7	113.4	-44.3
Margin (%)					
GP	17.2	17.1	18.0		
EBITDA	14.1	9.5	14.1		
Pretax	5.0	1.3	3.2		
Core PATAMI	2.8	0.7	1.8		

Key Assumption

Revenue Growth	Actual		Before			After		
	FY24	FY25	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F
Manufacturing	1%	-2%	6%	5%	6%	-17%	5%	2%
Trading	11%	-1%	2%	2%	2%	-1%	2%	2%

Key Financial Metrics

FYE 30 Dec	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue (RM'mn)	1,064.7	1,043.3	940.0	981.6	1,001.3
EBITDA (RM'mn)	106.6	91.4	72.5	76.8	76.8
Pretax profit (RM'mn)	52.6	55.3	36.0	44.8	45.8
Net profit (RM'mn)	17.9	39.7	24.5	31.1	31.8
EPS (sen)	3.3	7.4	4.6	5.8	5.9
PER (x)	18.6	8.4	13.6	10.7	10.5
Core net profit (RM'mn)	18.4	32.7	24.5	31.1	31.8
Core EPS (sen)	3.5	6.1	4.6	5.8	6.0
Core EPS growth (%)	633.0	74.3	(24.6)	26.1	3.4
Core PER (x)	17.7	10.2	13.5	10.7	10.3
Net DPS (sen)	3.0	2.0	3.0	3.0	4.0
Dividend Yield (%)	5.0	4.0	5.0	5.0	7.0
ROE (%)	1.7	3.7	2.2	2.8	2.8
P/BV (x)	0.3	0.3	0.3	0.3	0.3

Financial Exhibits

Income Statement

FYE 31 Dec (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue	1,064.7	1,043.3	940.0	981.6	1,001.3
Operating expenses	(958.2)	(951.9)	(867.5)	(904.8)	(924.4)
EBITDA	106.6	91.4	72.5	76.8	76.8
Depreciation	(40.1)	(30.3)	(30.2)	(29.7)	(28.8)
EBIT	66.5	61.1	42.3	47.1	48.1
Net int income/(expense)	(18.6)	(7.8)	(7.3)	(7.3)	(7.3)
Exceptional gains / (losses)	0.5	(7.0)	0.0	0.0	0.0
Associates' contribution	4.8	2.0	0.9	4.9	5.0
Pretax profit	52.6	55.3	36.0	44.8	45.8
Tax	(33.5)	(11.5)	(8.6)	(10.7)	(11.0)
Minority interest	(1.2)	(4.1)	(2.8)	(2.9)	(3.0)
Net profit	17.9	39.7	24.5	31.1	31.8
Core PATAMI	18.4	32.7	24.5	31.1	31.8

Balance Sheet Statement

FYE 31 Dec (RM'mn)	FY2024A	FY2025F	FY2026F	FY2027F	FY2028F
Fixed assets	420.1	565.3	536.1	529.0	514.4
Other long term assets	346.5	148.4	148.4	148.4	148.4
Total non-current assets	766.5	713.7	684.6	677.4	662.8
Cash and equivalents	385.6	169.9	411.0	420.3	438.8
Inventories	120.4	114.1	122.3	127.9	130.1
Receivables	324.7	298.9	298.7	314.7	320.1
Other current assets	6.6	200.9	5.2	5.2	5.2
Total current assets	837.2	783.9	837.3	868.1	894.1
Payables	215.0	211.8	209.6	218.3	221.1
Short term borrowings	102.4	77.3	77.3	77.3	77.3
Other current liabilities	27.6	18.0	16.2	17.0	17.3
Total current liabilities	345.0	307.1	303.1	312.5	315.7
Long term borrowings	72.7	43.7	43.7	43.7	43.7
Other long term liabilities	68.0	55.8	50.4	52.6	53.6
Total long term liabilities	140.7	99.5	94.1	96.3	97.3
Shareholders' Funds	1,088.7	1,087.3	1,095.7	1,110.6	1,120.9
Minority Interest	29.4	31.4	28.6	25.6	22.6

Cash Flow Statement

FYE 31 Dec (RM'mn)	FY2024A	FY2025F	FY2026F	FY2027F	FY2028F
Pretax Profit	52.6	55.3	36.0	44.8	45.8
Depreciation & amortisation	49.6	40.8	60.4	59.4	57.5
Working capital changes	(11.1)	15.1	(10.3)	(12.8)	(4.8)
Others	(81.7)	(18.5)	(11.5)	(13.7)	(14.0)
C/F from operation	9.4	92.8	74.7	77.7	84.5
Capex	(29.8)	(38.3)	(28.9)	(28.9)	(28.9)
Others	334.7	7.9	0.0	0.0	0.0
C/F from investing	304.9	(30.4)	(28.9)	(28.9)	(28.9)
Debt raised/(repaid)	(291.1)	(63.8)	0.0	0.0	0.0
Dividends paid	(42.6)	(16.1)	(16.1)	(16.1)	(21.5)
Others	(29.9)	(19.1)	0.0	0.0	0.0
C/F from financing	(363.6)	(99.0)	(16.1)	(16.1)	(21.5)
Net change in cash flow	(49.2)	(36.6)	29.7	32.7	34.1
Free Cash Flow	(20.4)	54.5	45.8	48.8	55.7



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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

IPO Note:

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

NEUTRAL: Total stock return expected to below +15% over 12-month period