Superlon Holdings Berhad

(7235 | SLON MK) Industrial Products | Non Wood Building Material

***Maintain* BUY**

Lacklustre performance for the year

***Unchanged* Target Price: RM1.02**

KEY INVESTMENT HIGHLIGHTS

- **FY22 CNP of RM6.2m met our expectation**
- **Lower demand from export market due to the high shipping costs and geopolitical tension**
- **Profit margin contraction was also caused by higher mix of trading sales**
- **Forward earnings estimates remain unchanged**
- **Maintain BUY with an unchanged TP of RM1.02**

RETURN STATISTICS	
Price @ 30th June 2022 (RM)	0.69
Expected share price return (%)	+47.8
Expected dividend yield (%)	+5.1
Expected total return (%)	**+52.9**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-2.8	4.5
3 months	0.0	4.2
12 months	-23.3	-18.6

KEY STATISTICS	
FBM KLCI	1,444.22
Syariah compliant	Yes
F4BGM Index	N/A
ESG Grading Band (Star rating)	N/A
Issue shares (m)	158.72
Estimated free float (%)	46.55
Market Capitalisation (RM'm)	109.52
52-wk price range	RM0.67– RM0.94
Beta vs FBM KLCI (x)	0.70
Monthly velocity (%)	0.00
Monthly volatility (%)	22.74
3-mth average daily volume (m)	0.04
3-mth average daily value (RM'm)	0.03
Top Shareholders (%)	
Liu Lee Hsiu-Lin	22.59
Liu Jeremy	4.50
Liu Han-Chao	4.50

Within expectation. Superlon Holdings Berhad (Superlon) reported core net profit (CNP) of RM6.2m in FY22 which matched our expectation, making up 97% of our full-year estimate.

Quarterly. Superlon registered lower revenue of RM25.6m (-7.6%yoy) in 4QFY22 mainly due to the -10.5% drop in its manufacturing sales. There was weaker demand due to the high logistics costs and the geopolitical uncertainties in Europe. PBT substantially declined to RM1.1m (-71.9%yoy) attributable to higher material and logistics costs which led to a -9.0% decline in its PBT margin (4QFY21: 14.2%). There was also higher mix of trading sales which typically fetch lower margin. Consequently, the CNP dropped to RM0.9m (-72.0%).

Cumulatively. In the 12-month period, the Group's revenue contracted to RM92.1m (-8.5%yoy) as its manufacturing sales saw a -16.9% decline due to abovementioned reasons. Similarly, PBT of RM7.4m (-51.4%yoy) was lower owing to the higher selling and distribution expenses along with higher sales contribution from lower margin markets. PBT margin of 8.0% during the year saw -7%yoy decline (FY21: 15.1%). Overall, Superlon posted lower CNP of RM6.2m (-52.9%yoy).

Earnings estimates. We make no changes to our estimates as the results were within our expectation. Total dividend declared during FY22 was 1.5 sen, representing a dividend payout of 38%. Dividend yield for FY23 is estimated to be 5.1%.

Maintain BUY. We maintain our **BUY** call on Superlon with an unchanged TP of **RM1.02**. We derived the TP by pegging its estimated FY23 EPS to an unchanged target PER of 12x. We expect the Group's export sales to improve in the coming quarters on the back of post-pandemic recovery. Downside risks include: (1) unstable raw material prices, (2) fluctuations in exchange rates and (3) further disruption to the global supply chain which would cause shipping costs to remain high.

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INVESTMENT STATISTICS

Income Statement	FY20A	FY21A	FY22E	FY23F	FY24F
Revenue	101.6	100.6	92.1	99.3	103.5
PBT	11.2	15.2	7.4	15.7	17.4
Net profit	8.6	13.2	6.2	12.1	13.4
Core net profit	8.7	13.4	6.2	12.1	13.4
Core EPS (sen)	5.47	8.45	3.91	7.62	8.44
PER (x)	12.6x	8.2x	17.7x	9.1x	8.2x
Net dividend (sen)	3.05	3.15	1.50	3.50	3.50
Dividend yield (%)	4.4%	4.6%	2.2%	5.1%	5.1%

Source: Company, MIDFR

4Q22 RESULTS SUMMARY

Income Statement	Quarterly					Cumulatively		
	4Q22	3Q22	4Q21	QoQ	YoY	FY22	FY21	YoY
Revenue	25.6	24.0	27.7	6.9%	-7.6%	92.1	100.6	-8.5%
Gross profit	5.7	5.7	8.2	-1.5%	-31.2%	22.3	30.6	-26.9%
PBT	1.1	2.3	3.9	-51.4%	-71.9%	7.4	15.2	-51.4%
Net profit	0.9	1.9	3.2	-54.2%	-72.0%	6.2	13.2	-52.9%
Core net profit	1.1	1.5	3.2	-23.0%	-63.8%	5.9	13.5	-56.3%
Core EPS (sen)	0.72	0.94	1.99	-23.0%	-63.8%	3.72	8.50	-56.3%

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology