Corporate Update

Rhong Khen International Berhad
(7006|RKI MK) Main | Consumer Products & Services

SHARIAH Compliant

Maintain **BUY**
Unchanged Target Price **RM1.60**

2QFY25 Results Review
Resilient Performance

Maintain BUY with an Unchanged Target Price of RM1.60. Rhong Khen International ("RKI") sustained solid performance in 2QFY25, driven by strong furniture shipments and improved cost efficiencies. Despite a slight revenue decline on yearly basis, core PATANCI saw robust growth, supported by disciplined cost management and margin expansion. Results met expectations, and we retain our earnings forecast. Our TP remains at RM1.60, based on a P/BV of 0.44x pegged to FY25F BVPS of 3.63 sen. With a strong net cash position, improving consumer sentiment, and rising furniture demand amid a favorable interest rate environment, we reaffirm our BUY call.

Within expectations. RKI chalked in 2QFY25 revenue of RM145.5m (+10.1qoq; -6.8%yoy) and core PATANCI of RM5.3m (-20.9%qoq, +44.7%yoy), which bought 1HFY25 core PATANCI to RM11.9m (+76% yoy). This accounted for 57% of our full-year forecast and slightly above consensus at 62% of consensus estimates. We consider the results within expectations due to the seasonally stronger earnings in 1H and we expect earnings to normalize in the coming quarters.

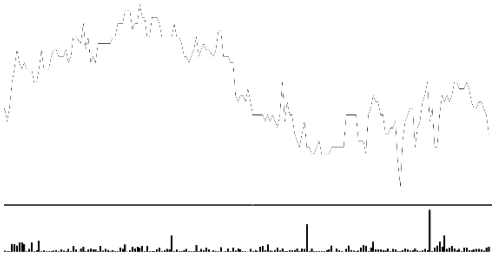
Resilience Revenue. RKI posted revenue of RM145.5m for 2QFY25, marking a 6.8%yoy decline but a strong rebound of +10.1%qoq. The quarter-on-quarter growth was driven by higher shipments from furniture plants, partially offset by weaker demand for sawmill and panel board lamination products in both local and export markets. On a cumulative basis, 1HFY25 revenue stood at RM277.7m, reflecting a modest 0.3%yoy increase. This was supported by stronger sales from Vietnam's furniture plants and sawmill operations.

Sustained Profitability and Margin Expansion. Gross profit for 2QFY25 climbed to RM18.8m, marking a 14.8%qoq and 2.4%yoy increase. This growth was fueled by an improved product mix and lower manufacturing costs, particularly in Vietnam, where higher production output drove efficiency gains. As a result, gross profit margin expanded to 12.9%, up from 12.4% in 1QFY25. On a cumulative basis, 1HFY25 gross profit surged 19.4%yoy to RM35.3m, bolstered by a more favorable pricing strategy. Core PATANCI for 1HFY25 soared 76.0%yoy to RM11.9m, reflecting RKI's disciplined cost management, margin improvements, and operational efficiency across key manufacturing plants.

Earnings Outlook. With earnings aligning with our expectations, we maintain our forecast. We anticipate stronger US demand, driven by: (i) the worst of the downturn being behind us, (ii) the replenishment of furniture inventories as US importers, wholesalers, and retailers clear their stock levels, and (iii) an accommodative interest rate environment that could spur furniture purchases.

RETURN STATISTICS	
Price @ 26th Feb 2025 (RM)	1.18
Expected share price return (%)	+35.5
Expected dividend yield (%)	+2.7
Expected total return (%)	+38.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-5.6	-6.5
3months	-3.3	1.8
12 months	-9.9	-12.3

INVESTMENT STATISTICS

FYE JUNE (RM'm)	2025F	2026F	2027F
Revenue	535.3	558.5	583.5
EBITDA	42.4	50.3	57.7
PBT	26.5	34.1	41.2
Core PATANCI	20.9	26.9	32.6
Core EPS (sen)	10.8	13.9	16.8
DPS (sen)	3.2	4.2	5.0
Dividend Yield (%)	2.7	3.5	4.3

KEY STATISTICS

FBM KLCI	1,588.71
Issue shares (m)	194.65
Estimated free float (%)	42.22
Market Capitalisation (RM'm)	230.45
52-wk price range	RM1.1 - RM1.4
3-mth average daily volume (m)	0.02
3-mth average daily value (RM'm)	0.03
Top Shareholders (%)	
Lin Chen Jui-Fen	25.53
Konsortium Kontrek Sdn Bhd	15.26
Samarang Asset Management SA	15.02

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Rhong Khen International: 2QFY25 Results Summary

FYE JUN (RM'm)	Quarterly results					Cumulative results		
	2QFY25	1QFY25	2QFY24	YoY (%)	QoQ (%)	1HFY25	1HFY24	YoY (%)
Revenue	145.5	132.1	156.1	(6.8)	10.1	277.7	276.8	0.3
Cost of sales	(126.7)	(115.7)	(137.7)	(8.0)	9.5	(242.4)	(247.2)	(2.0)
Gross Profit	**18.8**	**16.4**	**18.4**	**2.4**	**14.8**	**35.3**	**29.5**	**19.4**
Other income	2.4	2.4	2.5	(5.4)	(0.3)	4.8	5.0	(4.3)
Selling and distribution expenses	(4.3)	(4.1)	(4.8)	(0.8)	18.6	(8.9)	(8.1)	9.7
Administrative expenses	(8.0)	(6.4)	(7.3)	8.8	24.4	(14.4)	(14.0)	3.0
Other expenses	0.8	(4.0)	(0.8)	(210.2)	(120.9)	(3.2)	(1.4)	124.5
Operating profit (EBIT)	**9.3**	**4.3**	**8.0**	**16.4**	**116.2**	**13.6**	**11.1**	**23.0**
Net finance income/(cost)	(0.2)	(0.3)	(0.4)	(38.4)	(16.0)	(0.5)	(0.7)	(33.2)
Profit before tax (PBT)	**9.1**	**4.0**	**7.6**	**19.0**	**124.8**	**13.1**	**10.3**	**26.9**
Taxation	(2.1)	(0.1)	(3.6)	(41.8)	1,966.3	(2.2)	(3.0)	(25.9)
Profit After tax (PAT)	7.0	3.9	4.0	72.9	77.5	10.9	7.4	48.0
PATANCI	7.0	4.0	4.4	59.0	76.2	11.0	8.1	35.6
Core PATANCI	**5.3**	**6.6**	**3.6**	**44.7**	**(20.9)**	**11.9**	**6.8**	**76.0**
Core EPS (sen)	2.7	3.4	1.9	44.2	(21.0)	6.1	3.5	75.3
DPS (sen)	0.0	3.0	1.0	(100.0)	(100.0)	3.0	1.0	200.0
Growth & Margin (%)				*+/(-) ppts*	*+/(-) ppts*			*+/(-) ppts*
Gross Profit Margin	12.9	12.4	11.8	1.2	0.5	12.7	10.7	2.0
Operating Profit Margin	6.4	3.3	5.1	1.3	3.1	4.9	4.0	0.9
PBT Margin	6.2	3.1	4.9	1.3	3.2	4.7	3.7	1.0
Core PATANCI Margin	3.6	5.0	2.3	1.3	(1.4)	4.3	2.4	1.8

Source: Company, MIDFR

Rhong Khen International: Breakdown by operating segment

FYE JUN (RM'm)	Quarterly results					Cumulative results		
	2QFY25	1QFY25	2QFY24	YoY (%)	QoQ (%)	1HFY25	1HFY24	YoY (%)
Revenue (External):								
Malaysia	23.5	25.5	29.5	(20.1)	(7.8)	49.1	60.7	(19.1)
Vietnam	117.9	101.5	122.3	(3.5)	16.2	219.4	207.4	5.8
Thailand	3.6	4.5	3.5	3.6	(20.0)	8.1	6.6	22.8
Others	0.4	0.6	0.9	(50.6)	(26.2)	1.1	2.1	(49.0)
Total	**145.5**	**132.1**	**156.1**	**(6.8)**	**10.1**	**277.7**	**276.8**	**0.3**
PBT:								
Malaysia	(1.4)	(1.6)	0.9	(257.8)	(12.2)	(3.0)	1.2	(354.1)
Vietnam	12.9	7.2	13.8	(7.1)	79.6	20.0	16.7	19.8
Thailand	(0.7)	(0.1)	(0.1)	630.4	577.3	(0.9)	(0.9)	0.4
Others	0.4	(1.4)	(1.0)	(137.8)	(127.6)	(1.0)	(0.7)	40.9
Total	**11.1**	**4.0**	**13.6**	**(18.7)**	**174.3**	**15.1**	**16.3**	**(7.5)**
PBT margin:				*+/(-) ppts*	*+/(-) ppts*			*+/(-) ppts*
Malaysia	(6.0)	(6.3)	3.1	(9.1)	0.3	(6.2)	2.0	(8.2)
Vietnam	10.9	7.1	11.3	(0.4)	3.8	9.1	8.1	1.1
Thailand	(20.6)	(2.4)	(2.9)	(17.7)	(18.2)	(10.5)	(12.9)	2.4
Others	85.9	(229.9)	(112.3)	198.2	315.8	(95.8)	(34.7)	(61.1)
Total	**7.6**	**3.1**	**8.7**	**(1.1)**	**4.6**	**5.4**	**5.9**	**(0.5)**

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2023A	2024A	2025F	2026F	2027F
Revenue	649.4	521.6	535.3	558.5	583.5
Gross Profit	79.8	66.8	66.8	74.6	83.0
EBITDA	47.3	35.7	42.4	50.3	57.7
EBIT	28.1	15.8	22.9	30.3	37.2
PBT	27.9	19.3	26.5	34.1	41.2
Taxation	(6.0)	(8.1)	(5.6)	(7.2)	(8.7)
PAT	21.9	11.2	20.9	26.9	32.6
Core PATANCI	22.1	10.7	20.9	26.9	32.6
Core EPS (sen)	11.4	5.5	10.8	13.9	16.8
PER (x)	9.8	20.5	11.0	8.5	7.0
DPS (sen)	6.0	4.0	3.2	4.2	5.0
Dividend Yield (%)	5.1	3.4	2.7	3.5	4.3

Cash Flow (RM'm)	2023A	2024A	2025F	2026F	2027F
PBT	27.9	19.3	26.5	34.1	41.2
Operating cash flow	112.8	54.7	45.5	32.4	35.2
Investing cash flow	(24.5)	(26.0)	(18.3)	(8.8)	(9.2)
Financing cash flow	(114.6)	(21.1)	(13.6)	(9.4)	(11.0)
Net cash flow	(26.3)	121.1	13.6	14.2	15.0
Beginning cash flow	170.5	150.2	271.3	284.9	299.1
Ending cash flow	150.2	271.3	284.9	299.1	314.1

Growth (%)	2023A	2024A	2025F	2026F	2027F
Revenue Growth	(14.1)	(19.7)	2.6	4.3	4.5
Gross Profit Growth	(24.3)	(16.3)	(0.0)	11.6	11.3
EBITDA Growth	(31.5)	(24.6)	18.8	18.7	14.7
Core PATANCI Growth	(42.0)	(51.5)	95.6	28.6	21.0

Profitability Ratios (%)	2023A	2024A	2025F	2026F	2027F
Gross Profit Margin	12.3	12.8	12.5	13.4	14.2
EBITDA Margin	7.3	6.8	7.9	9.0	9.9
EBIT Margin	4.3	3.0	4.3	5.4	6.4
Core PATANCI Margin	3.4	2.1	3.9	4.8	5.6

Balance Sheet (RM'm)	2023A	2024A	2025F	2026F	2027F
PPE	267.8	255.2	252.7	245.2	237.8
Intangible assets	0.0	0.0	0.0	0.0	0.0
Non-current assets	354.7	332.9	342.8	336.7	330.8
Inventories	151.4	137.6	179.7	185.6	192.0
ST - Trade receivables	43.2	48.7	44.0	45.9	48.0
Cash and cash equivalents	258.4	215.2	284.9	299.1	314.1
Current assets	458.0	480.3	509.8	531.9	555.3
Total Assets	812.7	813.2	852.6	868.6	886.1
Total Equity	685.7	694.3	706.1	717.4	729.8
LT Loans	17.3	14.6	7.9	8.0	8.0
Non-current liabilities	26.6	23.8	16.7	17.0	17.4
ST Trade payables	53.0	58.9	96.3	99.4	102.9
ST Loans	15.1	4.9	6.9	6.9	7.0
Current Liabilities	100.4	95.1	129.8	134.1	138.9
Total Liabilities	127.0	118.9	146.5	151.2	156.3

Liquidity Ratios (x)	2023A	2024A	2025F	2026F	2027F
Current ratio	4.6	5.0	3.9	4.0	4.0
Quick ratio	3.1	3.6	2.5	2.6	2.6

Leverage Ratios (x)	2023A	2024A	2025F	2026F	2027F
Total Debt to Equity	0.0	0.0	0.0	0.0	0.0
Total Debt to Assets	0.0	0.0	0.0	0.0	0.0
Net debt/total equity	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Efficiency Ratios (days)	2023A	2024A	2025F	2026F	2027F
Inventories Turnover	97.0	116.0	123.6	137.8	137.7
Receivable Turnover	24.6	32.8	32.4	30.2	30.2
Payable Turnover	34.4	45.9	61.9	75.8	76.0
Cash Conversion Cycle	87.3	102.9	94.0	92.1	91.9

Source: Bloomberg, 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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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