

## Malaysia

**HOLD** (no change)

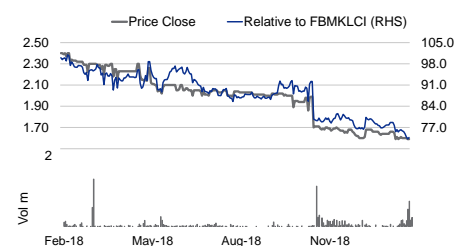
Consensus ratings\*: Buy 0 Hold 2 Sell 0

Current price:	RM1.59
Target price:	RM1.60
Previous target:	RM1.60
Up/downside:	0.6%
CGS-CIMB / Consensus:	-2.7%
Reuters:	DPPM.KL
Bloomberg:	DPP MK
Market cap:	US\$127.6m RM520.5m
Average daily turnover:	US\$0.02m RM0.09m
Current shares o/s:	327.3m
Free float:	72.6%

\*Source: Bloomberg

**Key changes in this note**

No change.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-4.2	-5.9	-32.9
Relative (%)	-5.3	-7.4	-25.7

**Major shareholders**

	% held
Low Chan Tian	10.4
Apollo Asia Fund Ltd	9.4
Lim Koy Peng	7.6

**Analyst(s)**

**Nigel Foo**

 T (60) 3 2261 9069  
 E nigel.foo@cimb.com

# Daibochi Bhd

## 4QFY18: Hit by M&A costs

- At 66.4% of our forecast, 12MFY18 core net profit was below consensus and our expectations due to high raw material costs and RM4.9m M&A costs.
- Scientex's mandatory takeover offer for Daibochi is i) RM1.59 cash/share, or ii) a share swap of Daibochi to Scientex shares based on a 5.535:1 ratio.
- Remains a Hold; current share price is close to the takeover offer price.

### FY18 core net profit down 22.1% yoy

Daibochi's FY18 revenue grew 10.8% yoy to RM430.8m, driven mainly by higher export revenue from both local and Myanmar JV operations. However, FY18 net profit fell 41.1% yoy to RM15.2m due to i) higher-than-expected raw material costs in 4Q18, and ii) RM4.9m M&A costs. FY18 core net profit fell 22.1% yoy to RM20.1m due to higher-than-expected raw material costs in 4Q18.

### FY18 total DPS at 3.35 sen

Daibochi declared a 0.5 sen DPS for 4Q18, which brought the FY18 DPS to 3.35 sen, below our forecast of 5 sen DPS, mainly due to lower-than-expected 4Q18 net profit.

### Mandatory takeover offer from Scientex in early-Feb

In early-Feb 2019, Scientex announced a mandatory takeover offer for the remaining 188.2m shares in Daibochi and 27.3m warrants not already owned by Scientex. The offer for the remaining Daibochi shares would be satisfied by either i) a cash consideration of RM1.59 per offer share, or ii) a share exchange offer of new Scientex shares to be issued at a price of RM8.80 per Scientex share based on an exchange ratio of one Scientex share for every 5.535 Daibochi shares. The RM1.59 cash offer (instead of the earlier proposed RM1.60 offer) takes into account the 1.0 sen third interim dividend paid by Daibochi to its shareholders at end-2018. Scientex indicated its offer for Daibochi shares is until 25 Mar 2019. We understand Scientex intends to keep Daibochi's listing status.

### View takeover positively

We view this takeover positively for Daibochi as there are strong potential synergies between Scientex and Daibochi. Buying Daibochi would allow Scientex to move further downstream to the flexible packaging converting business. Daibochi currently buys BOPP films from Scientex.

### Remains a Hold

We maintain our EPS forecasts and our RM1.60 target price, which is just above the RM1.59 offer price by Scientex for Daibochi shares. The stock remains a Hold; upside risks include strong synergies from Scientex's and Daibochi's merger while downside risks include weaker-than-expected synergies.

**Financial Summary**

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue (RMm)	388.6	430.8	570.0	640.0	667.0
Operating EBITDA (RMm)	51.10	43.70	70.70	84.30	91.00
Net Profit (RMm)	26.00	15.20	36.60	44.63	49.00
Core EPS (RM)	0.07	0.05	0.10	0.13	0.14
Core EPS Growth	6.1%	(26.2%)	90.7%	21.9%	9.8%
FD Core P/E (x)	21.71	29.40	15.42	12.65	11.52
DPS (RM)	0.047	0.035	0.052	0.056	0.056
Dividend Yield	2.96%	2.20%	3.27%	3.52%	3.52%
EV/EBITDA (x)	12.46	14.72	8.77	7.17	6.40
P/FCFE (x)	NA	28.81	9.57	11.17	8.59
Net Gearing	23.2%	25.6%	10.0%	(1.0%)	(12.9%)
P/BV (x)	2.81	2.85	2.51	2.26	2.26
ROE	13.1%	9.6%	17.3%	18.8%	19.6%
% Change In Core EPS Estimates			0%	0%	
CIMB/consensus EPS (x)			1.16	0.97	

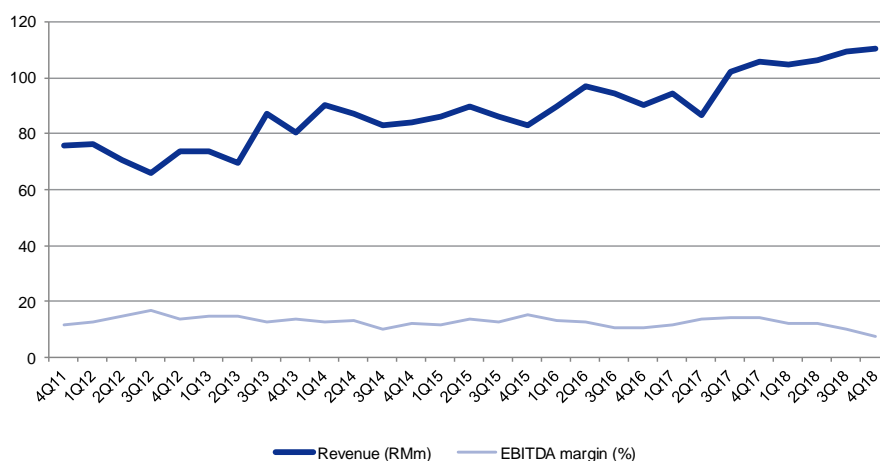
SOURCES: CIMB RESEARCH, COMPANY REPORTS

## 4QFY18: Hit by M&A costs

**Figure 1: Results comparison**

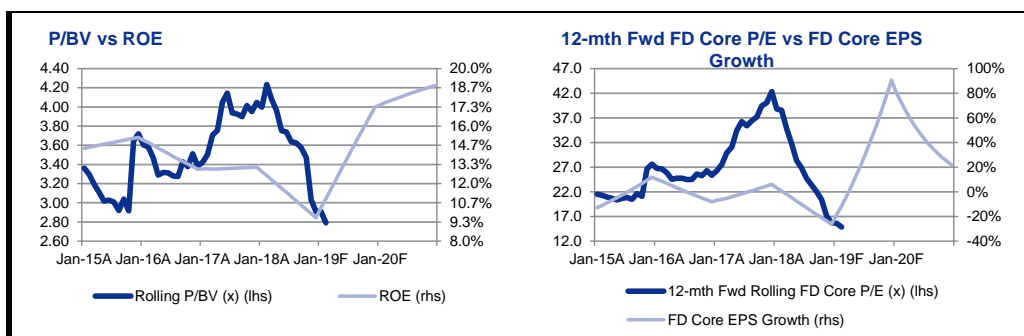
FYE Dec (RM m)	4QFY18	4QFY17	yoy % chg	qoq % chg	4QFY18 cum	4QFY17 cum	yoy % chg	Prev. FY18F	Comments
<b>Revenue</b>	<b>110.5</b>	<b>105.7</b>	<b>4.5</b>	<b>1.2</b>	<b>430.8</b>	<b>388.7</b>	<b>10.8</b>	<b>430.0</b>	In line, higher export revenue
Operating costs	(102.4)	(90.9)	12.7	4.1	(396.3)	(337.7)	17.4	(367.3)	
EBITDA	8.1	14.8	(45.3)	(25.0)	34.5	51.0	(32.4)	62.7	
EBITDA margin (%)	7.3	14.0	(996.9)	(2,100.0)	8.0	13.1	(39.0)	14.6	Below, hit by higher raw material prices
Depn & amort.	(3.6)	(3.5)	(23.2)	(23.2)	(14.0)	(13.7)	2.2	(15.4)	(23.2)
EBIT	4.5	11.3	(60.2)	(38.4)	20.5	37.3	(45.0)	31.2	#VALUE!
Interest expense	(1.0)	(0.9)	11.1	0.0	3.9	(3.0)	230.0	(3.0)	In line, RM59m net debt or 0.27x net gearing
Interest & invt inc	-	-	nm	nm	0.1	0.2	(50.0)	0.0	
Associates' contrib	0.8	0.8	nm	nm	1.0	1.2	(16.7)	0.0	
Exceptionals	(4.9)	-	nm	nm	(4.9)	-	nm		M&A costs recognised in 4Q
<b>Pretax profit</b>	<b>(0.6)</b>	<b>11.2</b>	<b>(105.4)</b>	<b>(109.4)</b>	<b>20.6</b>	<b>35.7</b>	<b>(42.3)</b>	<b>28.2</b>	Below, higher raw materials costs and M&A costs
Tax	(0.5)	(2.7)	(81.5)	0.0	(3.8)	(8.7)	(56.3)	(4.0)	
Tax rate (%)	(83.3)	24.1	(77.3)	0.0	18.4	24.4	(24.3)	14.2	
Minority interests	0.5	(0.6)	-	-	(1.6)	(1.2)	nm	(1.3)	
<b>Net profit</b>	<b>(0.6)</b>	<b>7.9</b>	<b>(107.6)</b>	<b>(110.5)</b>	<b>15.2</b>	<b>25.8</b>	<b>(41.1)</b>	<b>22.9</b>	Below, higher raw materials costs and M&A costs
Core net profit	4.3	5.1	(15.7)	(45.6)	20.1	25.8	(22.1)	22.9	Below, hit by higher raw material costs
EPS (sen)	(0.5)	2.4	(120.8)	(129.4)	4.7	7.1	(33.8)	6.5	
Core EPS (sen)	2.0	2.4	(16.7)	17.6	6.1	7.1	(13.5)	6.5	

SOURCES: CIMB RESEARCH, COMPANY REPORTS

**Figure 2: Daibochi quarterly revenue (RMm) and EBITDA margin (%)**


SOURCES: CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS



### Profit & Loss

(RMm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
<b>Total Net Revenues</b>	<b>388.6</b>	<b>430.8</b>	<b>570.0</b>	<b>640.0</b>	<b>667.0</b>
<b>Gross Profit</b>	<b>51.1</b>	<b>43.7</b>	<b>70.7</b>	<b>84.3</b>	<b>91.0</b>
<b>Operating EBITDA</b>	<b>51.1</b>	<b>43.7</b>	<b>70.7</b>	<b>84.3</b>	<b>91.0</b>
Depreciation And Amortisation	(13.7)	(15.4)	(15.7)	(15.7)	(16.0)
<b>Operating EBIT</b>	<b>37.4</b>	<b>28.3</b>	<b>55.0</b>	<b>68.6</b>	<b>75.0</b>
Financial Income/(Expense)	(2.8)	(3.8)	(2.5)	(2.5)	(2.5)
Pretax Income/(Loss) from Assoc.	1.1	1.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
<b>Profit Before Tax (pre-EI)</b>	<b>35.7</b>	<b>25.5</b>	<b>52.5</b>	<b>66.1</b>	<b>72.5</b>
Exceptional Items		(4.9)			
<b>Pre-tax Profit</b>	<b>35.7</b>	<b>20.6</b>	<b>52.5</b>	<b>66.1</b>	<b>72.5</b>
Taxation	(8.6)	(3.8)	(7.9)	(8.6)	(9.5)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>27.1</b>	<b>16.8</b>	<b>44.6</b>	<b>57.5</b>	<b>63.0</b>
Minority Interests	(1.1)	(1.6)	(8.0)	(12.9)	(14.0)
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>26.0</b>	<b>15.2</b>	<b>36.6</b>	<b>44.6</b>	<b>49.0</b>
Recurring Net Profit	26.0	19.2	36.6	44.6	49.0
<b>Fully Diluted Recurring Net Profit</b>	<b>26.0</b>	<b>19.2</b>	<b>36.6</b>	<b>44.6</b>	<b>49.0</b>

### Cash Flow

(RMm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
<b>EBITDA</b>	<b>51.10</b>	<b>43.70</b>	<b>70.70</b>	<b>84.30</b>	<b>91.00</b>
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(12.30)	(9.90)	6.20	(15.20)	(5.76)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	0.79	0.79	1.00	1.00	1.00
Net Interest (Paid)/Received	0.00	0.00	0.00	0.00	0.00
Tax Paid	(6.38)	(4.00)	(7.90)	(8.57)	(9.50)
<b>Cashflow From Operations</b>	<b>33.21</b>	<b>30.59</b>	<b>70.00</b>	<b>61.53</b>	<b>76.74</b>
Capex	(33.00)	(10.00)	(10.00)	(10.00)	(10.00)
Disposals Of FAs/subsidiaries	0.00	0.00	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	0.00	0.00	0.00	0.00	0.00
Other Investing Cashflow	(1.00)	(1.00)	(1.00)	(1.00)	(1.00)
<b>Cash Flow From Investing</b>	<b>(34.00)</b>	<b>(11.00)</b>	<b>(11.00)</b>	<b>(11.00)</b>	<b>(11.00)</b>
Debt Raised/(repaid)	(25.00)	0.00	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00	0.00
Dividends Paid	(14.41)	(17.06)	(17.82)	(19.34)	0.00
Preferred Dividends					
Other Financing Cashflow					
<b>Cash Flow From Financing</b>	<b>(39.41)</b>	<b>(17.06)</b>	<b>(17.82)</b>	<b>(19.34)</b>	<b>0.00</b>
Total Cash Generated	(40.20)	2.53	41.18	31.19	65.74
<b>Free Cashflow To Equity</b>	<b>(25.79)</b>	<b>19.59</b>	<b>59.00</b>	<b>50.53</b>	<b>65.74</b>
<b>Free Cashflow To Firm</b>	<b>(0.79)</b>	<b>19.59</b>	<b>59.00</b>	<b>50.53</b>	<b>65.74</b>

SOURCES: CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(RMm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Cash And Equivalents	18.3	10.5	21.7	52.9	84.8
Total Debtors	67.8	75.0	90.0	121.6	127.7
Inventories	86.4	90.3	107.0	102.4	107.5
Total Other Current Assets	0.8	1.3	7.5	31.0	31.0
<b>Total Current Assets</b>	<b>173.3</b>	<b>177.1</b>	<b>226.2</b>	<b>307.9</b>	<b>351.0</b>
Fixed Assets	138.2	135.5	129.8	105.0	105.0
Total Investments	0.0	0.0	0.0	0.0	0.0
Intangible Assets	35.1	31.8	35.1	35.1	35.1
Total Other Non-Current Assets	18.3	19.5	19.5	19.5	0.0
<b>Total Non-current Assets</b>	<b>191.6</b>	<b>186.8</b>	<b>184.4</b>	<b>159.6</b>	<b>140.1</b>
Short-term Debt	49.7	54.7	27.0	30.0	25.0
Current Portion of Long-Term Debt					
Total Creditors	57.9	59.1	97.0	108.8	114.2
Other Current Liabilities	2.8	4.0	1.0	5.0	14.0
<b>Total Current Liabilities</b>	<b>110.4</b>	<b>117.8</b>	<b>125.0</b>	<b>143.8</b>	<b>153.2</b>
Total Long-term Debt	20.1	12.2	20.1	20.1	20.1
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	13.7	13.6	10.6	10.6	10.6
<b>Total Non-current Liabilities</b>	<b>33.8</b>	<b>25.8</b>	<b>30.7</b>	<b>30.7</b>	<b>30.7</b>
Total Provisions	0.0	0.0	0.0	0.0	0.0
<b>Total Liabilities</b>	<b>144.2</b>	<b>143.6</b>	<b>155.7</b>	<b>174.5</b>	<b>183.9</b>
Shareholders' Equity	200.9	197.8	224.8	249.6	249.6
Minority Interests	21.0	22.3	30.3	43.2	57.2
<b>Total Equity</b>	<b>221.9</b>	<b>220.1</b>	<b>255.1</b>	<b>292.8</b>	<b>306.8</b>

### Key Ratios

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	4.7%	10.9%	32.3%	12.3%	4.2%
Operating EBITDA Growth	13.1%	(14.5%)	61.8%	19.2%	7.9%
Operating EBITDA Margin	13.1%	10.1%	12.4%	13.2%	13.6%
Net Cash Per Share (RM)	(0.15)	(0.16)	(0.07)	0.01	0.11
BVPS (RM)	0.57	0.56	0.63	0.70	0.70
Gross Interest Cover	N/A	N/A	N/A	N/A	N/A
Effective Tax Rate	24.1%	18.4%	15.0%	13.0%	13.1%
Net Dividend Payout Ratio	45.1%	71.1%	40.0%	36.3%	33.0%
Accounts Receivables Days	66.31	60.49	52.83	60.50	68.21
Inventory Days	92.14	83.31	72.12	68.96	66.51
Accounts Payables Days	71.00	55.16	57.06	67.77	70.67
ROIC (%)	11.9%	7.1%	13.6%	17.0%	18.0%
ROCE (%)	13.9%	9.8%	18.7%	21.3%	21.6%
Return On Average Assets	10.8%	7.7%	14.0%	15.5%	15.5%

### Key Drivers

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
ASP (% chg, main prod./serv.)	5.0%	5.0%	5.0%	5.0%	5.0%
Unit sales grth (% , main prod./serv.)	7.0%	7.0%	7.0%	7.0%	7.0%
Util. rate (% , main prod./serv.)	70.0%	70.0%	70.0%	70.0%	70.0%
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit Raw Material ASP (% Change)	N/A	N/A	N/A	N/A	N/A

SOURCES: CIMB RESEARCH, COMPANY REPORTS

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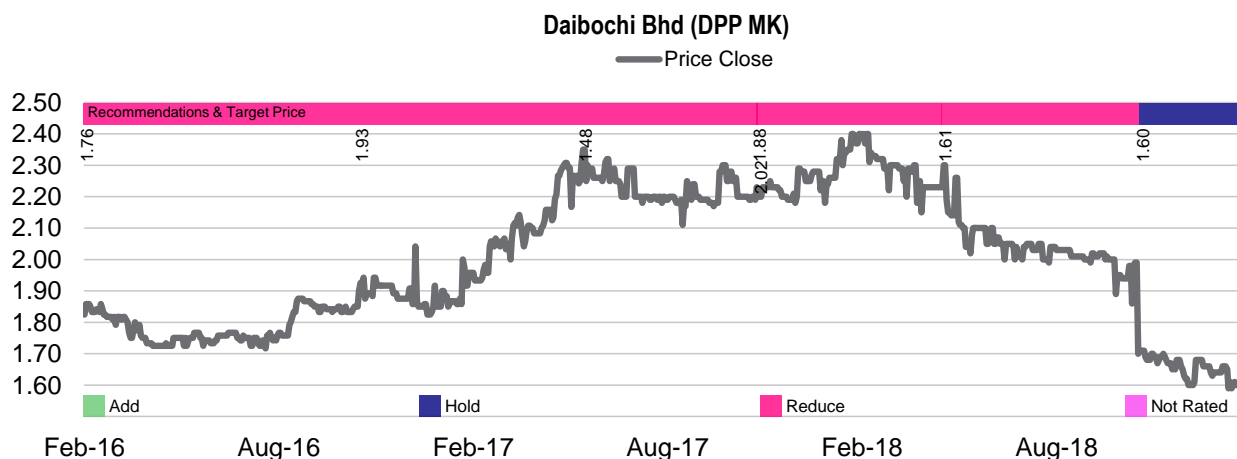
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2018		
758 companies under coverage for quarter ended on 31 December 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	61.2%	4.2%
Hold	25.1%	2.1%
Reduce	13.7%	0.4%

Spitzer Chart for stock being researched ( 2 year data )



**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018**

**ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HREIT** - Excellent, Certified, **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD\*** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **SAMART** - Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Very Good, Declared, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WORK** – Good, n/a.

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## Recommendation Framework

### Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

### Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

### Country Ratings

Definition:

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- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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