

MONEY TALK

Daibochi (DPP MK)

7QFY19: Record Results Post Integration With Scientex; Upgrade To BUY

7QFY19 RESULTS

Year to 31 Dec (RMm)	5QFY19*	7QFY19^	19MFY19^
Turnover	110.8	123.3	699.3
EBITDA	6.9	5.4	51.9
Operating Profit	3.3	1.4	29.1
PATAMI	1.5	(0.3)	17.3
Core Net Profit	4.4	8.4	40.8
Margins (%)			
Core Net Profit	4.0	6.8	5.8

*Final quarter before Scientex took over Daibochi

^In conjunction with changes of financial year end from 31 Dec to 31 July

Source: Daibochi, UOB Kay Hian

- **Record quarterly results.** Daibochi recorded its 7QFY19 results in conjunction with changing its financial year end from 31 December to 31 July. Excluding: a) RM5.7m one-off inventories writedown, b) RM1.1m M&A costs pertaining to the Mega Printing & Packaging (MPP) acquisition, c) RM1.3m write-off of property, plant and equipment, and d) RM0.6m forex losses, core net profit rose to a record high of RM8.4m. This brings 19MFY19 core numbers to RM40.8m.
- **Organic growth boosted top-line to best-ever quarter.** 7QFY19 revenue rose to a record high of RM123.3m thanks to higher flexible packaging sales driven by local and export markets. However, PATAMI fell into the red amid one-off M&A expenses, write-off of inventories and forex losses which amounted to RM8.7m. Stripping that off, core net profit rose to RM8.4m, translating into higher core net margins of 6.8%. Meanwhile, Myanmar contributed RM12.5m and RM1.6m in terms of revenue and profit respectively in 7QFY19.
- **FY20 expected to be a record year.** We expect FY20 earnings to improve to RM40.8m (2018: RM26.7m) supported by: a) full-year contribution of MPP (which registered RM9.2m in PBT in 2018) from 1QFY20 onwards, b) healthy organic growth as the group reaps benefits from its sustainable products, and c) margin expansion on the back of reduced raw material costs, lower wastage and better efficiency as it rides on Scientex's bandwagon.
- **Sustainable flexible packaging to commercialise in FY20.** We gather that Daibochi is at the final stage of testing its new sustainable flexible packaging solutions and the group is targeting to commercialise its new product to multinational consumer brands customers as soon as FY20. Management also alluded that the new recyclable monolayered packaging is financially viable as the ASP hike should be less than 5% for its customers and the group will be able to retain its profit margin.
- **We increase FY20F-22F earnings forecasts** as the group is poised to benefit from the synergies with Scientex and MPP.
- **Upgrade to BUY (from HOLD) with higher target price of RM2.40** (from RM2.22), pegging it to unchanged 17x FY20F PE, which is its 3-year historical mean valuation.

KEY FINANCIALS

Year to 31 Jul (RMm)	2017	FY19*	FY20F	FY21F	FY22F
Net Turnover	388.6	699.3	596.4	667.5	734.2
EBITDA	51.4	51.9	65.2	72.0	81.0
Operating Profit	37.6	29.1	50.3	56.6	65.1
Net Profit	25.9	17.3	40.1	46.8	55.5
Net Profit (Adjusted)	27.1	40.8	40.1	46.8	55.5
EPS (sen)	7.9	5.3	12.2	14.3	16.9
PE (x)	20.7	13.8	14.0	12.0	10.1
P/B (x)	2.8	2.7	2.5	2.3	2.1
EV/EBITDA (x)	12.3	12.1	9.1	8.1	6.9
Dividend Yield (%)	2.8	0.9	4.3	5.0	5.9
Net Margin (%)	7.0	5.8	6.7	7.0	7.6
Net Debt/(Cash) to Equity (%)	25.7	21.4	3.7	(2.3)	(12.2)
Interest Cover (x)	12.5	4.8	24.4	25.7	31.3
ROE (%)	13.5	19.8	18.1	19.4	21.1

BUY (Upgraded)

Share Price	RM1.71
Target Price	RM2.40
Upside	41.8%
(Previous TP)	RM2.22

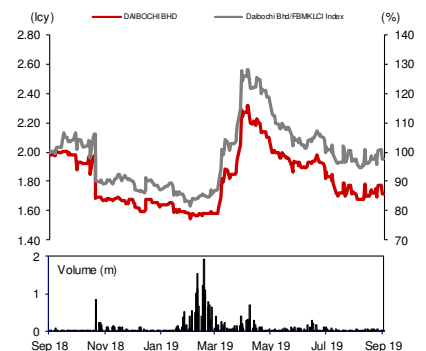
COMPANY DESCRIPTION

Daibochi is a flexible-packaging company with a focus on clients in the F&B and FMCG sectors.

STOCK DATA

GICS sector	Materials
Bloomberg ticker	DPP MK
Shares issued (m)	327.3
Market cap (RMm)	559.8
Market cap (US\$m)	133.4
3-mth avg turnover (US\$m)	0.02

PRICE CHART



Source: Bloomberg

ANALYST

Malaysia Retail Research Team
+603 2147 1988
research@uobkayhian.com

Retail Market Monitor

Thursday, 26 September 2019

Consensus Net Profit	-	-	37.2	39.4	n.a.
UOBKH/Consensus (x)	-	-	1.1	1.2	n.a.

Source: Daibochi, Bloomberg, UOB Kay Hian

Bloomberg Consensus

Recommendation	Buy	Sell	Hold	Valuation Ratios	12/17	12/18	12/19E	12/20E	
26/9/2019	0%	0%	100%	P/E	28.9	34.8	20.1	17.8	
Target Price			1.44	EV/EBIT	21.9	26.1	-	-	
Upside			-16%	EV/EBITDA	16.0	16.3	9.1	7.9	
				P/S	1.9	1.2	0.8	0.9	
				P/B	3.7	2.7	2.9	2.7	
				Div Yield (%)	1.5%	2.1%	1.8%	2.1%	
Income Statement	12/17	12/18	12/19E	12/20E	Profitability Ratios %	12/17	12/18	12/19E	12/20E
Revenue	389	431	690	621	Gross Margin	-	-	7.7	8.3
Gross Income	-	-	53	52	EBITDA Margin	13.2	8.7	10.1	13.0
Operating Income	38	23	-	-	Operating Margin	9.7	5.4	-	-
Pretax Income	36	21	35	43	Profit Margin	6.7	3.5	4.2	5.3
Net Income Adjusted	26	15	29	33	Return on Assets	7.7	4.2	12.8	13.0
EPS Adjusted (RM)	0.08	0.05	0.09	0.10	Return on Equity	13.3	7.6	17.3	18.8
Dividends Per Share (RM)	0.03	0.03	0.03	0.04					
Payout Ratio (%)	41	72	35	38					
EBITDA	51	37	69	81					

Peer Comparison	Ticker	Share Price 25 Sep 19 (RM)	Market Cap (US\$)	-----PE-----		-----P/B-----		Yield FY19 (%)
				FY18 (x)	FY19 (x)	FY18 (x)	FY19 (x)	
Tomyak Holdings	TOMY MK	0.48	47.9	n.a.	n.a.	1.0	1.3	0.2
Scientex	SCI MK	8.63	1,060.1	14.4	14.2	2.4	1.9	2.4
BP Plastics Holding	BPP MK	0.98	43.8	8.6	n.a.	1.0	n.a.	n.a.
Thong Guan Industries	TGI MK	2.57	108.5	7.7	9.5	0.7	0.9	3.2
SCGM	SCGM MK	1.07	48.9	11.8	n.a.	1.2	1.3	1.4
SLP Resources	SLPR MK	1.41	106.5	17.6	17.8	2.5	2.3	3.1
Average				12.0	13.9	1.5	1.5	2.1
Daibochi	DPP MK	1.71	133.4	13.8	14.0	2.7	2.5	4.3

Technical View



Source: Bursa Station Professional

Daibochi (DPP MK)

Technical SELL with -8.8% potential downside

Last price : RM1.71

Target price : RM1.61, RM1.56

Resistance: RM1.85

Stop-loss : RM1.86

SELL with a target price of RM1.56 and stop-loss at RM1.86. Based on the daily chart, DPP has continued to form lower highs and lower lows, which indicate a downtrend. This is supported by the downtick in the RSI and bearish crossover in the DMI. We expect DPP to continue the downward movement to the previous low of RM1.55 in the near term.

Expected Timeframe: 2 to 3 weeks

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