

06 February 2018 | 4QFY17 Results Review

Daibochi Plastic & Packaging Industry

Growth driven by Malaysia and Myanmar plants

INVESTMENT HIGHLIGHTS

- **FY17 results met expectation**
- **4QFY17 PAT +43%yoy boosted by Myanmar**
- **Growth to be seen from plants in both countries**
- **BUY with higher TP of RM2.59 (from RM2.51 previously)**


FY17 results met expectation. Daibochi's FY17 earnings came in within expectation, making up 96% of ours and consensus' full year estimates. It has announced an interim dividend of 1.3 sen, bringing ytd DPS to 4.8 sen.

Net profit improved by 6% to RM27.1m from RM24.5m in FY16. This is attributed to sales that grew 5% yoy. The improvement in its profits are due to better PAT margin (+0.4 ppt), contribution from Myanmar that started in 3QFY17 and wastage control in the Malaysia plant.

4QFY17 PAT +43%yoy boosted by Myanmar. The contribution from Myanmar brought 4QFY17 PAT to RM8.5m. At the PBT level, Daibochi Myanmar contributed 14%. The five-year income tax waiver granted by the Myanmar Investment Committee has also started from November 22, 2017. We understand that operations at Myanmar are going smoothly. Daibochi Myanmar has also exported seven containers of flexible packaging to eight Malaysia-based customers in December 2017.

Growth to be seen from plants in both countries. Back in Malaysia, Daibochi is expected to deliver new orders to new customers worth RM27m. As for Myanmar, sales may grow by another RM25m from sales with existing customers, beverage labelling, new local sales, exports and new MNC customers that already have operations in Myanmar. Daibochi has also planned to invest about RM10m in printing machine and high-speed slitter for the Malaysia plant. It has earmarked about RM7m for the Myanmar plant, which will see the addition of an extrusion machine, slitting, printing and rewinding machine.

Expect higher sales and margins for FY18F/FY19F. Due to the brighter prospects ahead, we have incorporated higher sales and margins as we anticipate better product mix in Malaysia coupled with improving operation efficiency in both plants. As a result, we have revised our FY18/FY19 revenue by +2.3%/+2.5% to RM451m/RM488m respectively. Following which, our PAT estimates are also revised by +8%/+9% to RM36.5m in FY18 and RM42.1m in FY19.

BUY with higher TP of RM2.59 (from RM2.51 previously). We maintain our BUY recommendation as we revised our earnings estimates. Our valuation method, based on the dividend discount model with a terminal growth rate of 3.2%, is unchanged. 

Maintain BUY

**Adjusted Target Price (TP): RM2.59
(Previously RM2.51)**

RETURN STATS	
Price (5 th February 2018)	RM2.32
Target Price	RM2.59
Expected Share Price Return	+11.5%
Expected Dividend Yield	+2.7%
Expected Total Return	+14.2%

STOCK INFO	
KLCI	1,853.07
Bursa / Bloomberg	8125 / DPP MK
Board / Sector	Main/ Industrial
Syariah Compliant	Yes
Issued shares (mil)	327.89
Market cap. (RM'm)	760.72
Price over NA	3.83
52-wk price Range	RM1.84– RM2.38
Beta (against KLCI)	0.42
3-mth Avg Daily Vol	0.28m
3-mth Avg Daily Value	RM0.63m
Major Shareholders (%)	
Chan Tian Low	10.32
Apollo Asia Fund Limited	9.37
Lim Koy Peng	8.46
Halley Sicav-Halley	5.88

INVESTMENT STATISTICS

FYE Dec (RM'm)	FY2015	FY2016	FY2017	FY2018F	FY2019F
Revenue	345.0	371.2	388.7	451.0	488.0
Cost of goods sold	-293.1	-322.0	-366.2	-399.1	-431.1
Gross profit	51.9	49.2	39.9	51.9	56.9
Profit before tax	35.7	30.0	35.7	48.3	54.9
Income tax expense	-9.0	-5.4	-8.7	-9.4	-9.9
Net profit	26.7	24.5	27.1	38.9	45.0
PATAMI	26.7	24.5	26.0	36.5	42.1
EPS (sen)	8.1	7.5	7.9	11.1	12.8
EPS growth (%)	-59.9	-8.3	6.0	40.7	15.1
PER (x)	28.5	31.1	29.3	20.8	18.1
Net dividend (sen)	5.9	5.4	4.8	6.1	6.8
Dividend yield (%)	2.5	2.3	2.3	2.6	2.9
Gross profit margin (%)	15.0	13.3	10.3	11.5	11.7
Profit before tax margin (%)	10.4	8.1	9.2	10.7	11.2
Net profit margin (%)	7.7	6.6	7.0	8.1	8.6

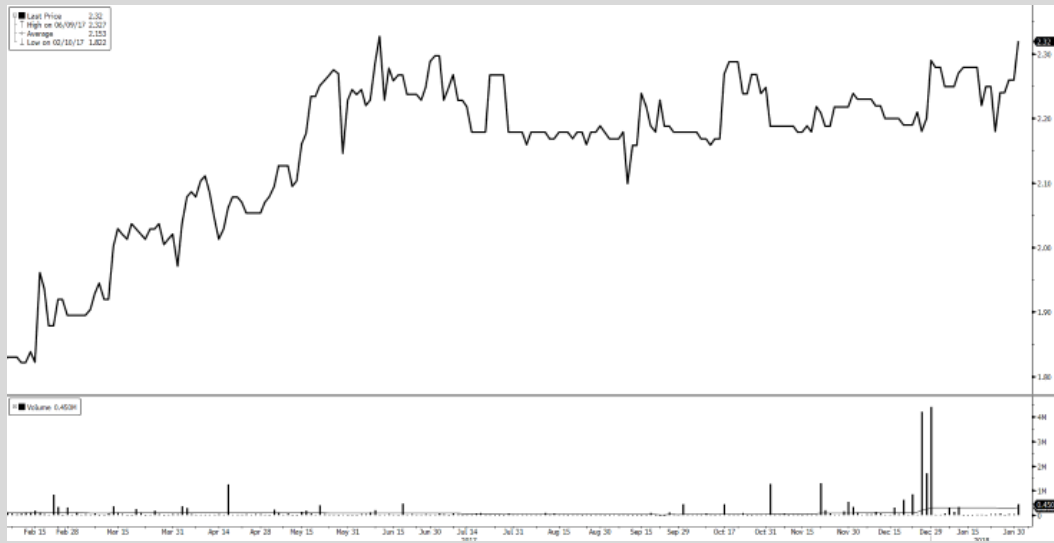
Source: Company, MIDFR

DAIBOCHI: FY17 Results Summary

FYE Dec (RM'm)	Quarterly Results				Cumulative Results		
	4QFY17	4QFY16	YoY (%)	QoQ (%)	FY17	FY16	YoY (%)
Revenue	105.7	90.4	16.9	3.6	388.7	371.2	4.7
Profit from operations	11.3	7.7	46.6	0.9	37.6	33.7	11.7
Finance costs	(0.9)	(0.7)	32.3	16.6	(3.0)	(2.8)	9.6
Share of profit of equity-accounted associate	0.8	0.2	218.9	>500	1.2	0.1	>500
Profit before tax	11.2	7.3	53.7	50.3	35.7	31.0	15.3
Income tax expense	(2.7)	(1.3)	102.7	0.0	(8.7)	(5.4)	60.1
Profit after tax	8.5	5.9	42.7	8.9	27.0	25.6	5.8
Basic EPS (sen)	2.4	2.2	11.0	10.0	7.9	7.5	5.9
	<i>+ / (-) ppts</i>						
PBT margin (%)	10.6	8.0	2.5	0.3	9.2	8.4	0.8
PAT margin (%)	8.0	6.6	1.4	0.4	7.0	6.9	0.1
Tax rate (%)	24.3	18.4	5.9	(1.6)	24.3	17.5	6.8
Geographical Segments							
<i>Revenue</i>							
Malaysia	78.2	73.5	6.4	3.8	298.3	306.7	(2.7)
Australia	19.6	16.1	21.71	3.9	72.6	61.3	18.4
New Zealand	1.0	0.7	36.36	(27.9)	4.4	3.1	42.9
Myanmar	6.8	N.A.	N.A.	6.0	13.3	N.A.	N.A.
<i>Non-current assets</i>							
Malaysia	129.7	141.1	(8.1)	(2.1)	129.7	141.1	(8.1)
Myanmar	42.9		N.A.	(3.4)	42.9	0.0	N.A.
Australia	0.1	0.1	(27.3)	0.0	0.1	0.1	(27.3)
Non-current assets margin (%)							
Malaysia	1.7	1.9	1.5	-0.1	1.7	1.9	-0.3
Myanmar	6.3	N.A.	N.A.	-0.6	6.3	N.A.	N.A.

Source: Company, MIDFR

DAILY PRICE CHART



Source: Bloomberg

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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 <i>rise</i> 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 <i>fall</i> 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.