

04 May 2017 | Corporate Update

Daibochi Plastic & Packaging Industry

Green light from Myanmar authority

INVESTMENT HIGHLIGHTS

- **Myanmar Investment Committee approves JV agreement between Daibochi and Myanmar Smart Pack**
- **Positive on this development as the venture into Myanmar is on track**
- **New venture could add 20% to FY18 PBT**
- **Maintain NEUTRAL with TP of RM2.54 (ex-price of RM2.11)**

Myanmar Investment Committee (MIC) approves JV agreement. Daibochi's joint venture agreement with Myanmar Smart Pack (MSP) has been approved by MIC. The agreement in which Daibochi agrees to buy a 60% stake in MSP for USD6.8m (RM30m) was announced last November. Following the approval from MIC, Daibochi targets to start operations within a month. With the approval, Daibochi will be ready to commence exports from the Myanmar operations to ASEAN countries in the 3QFY17.

One step closer to a new milestone. We are positive on this development as the venture into Myanmar is on track. We believe that this venture could further escalate Daibochi's export ambitions as operating costs there is expected to be much lower than that of Malaysia. Daibochi could also tap directly into the talent pool in Myanmar through this venture. It should be able to capture new sales and market as MSP has traditionally been strong in fast moving consumer goods packaging, which is a different segment from Daibochi's predominantly strong food and beverage packaging.

New venture could add 20% to FY18 PBT. We expect this venture to positively contribute to Daibochi's PBT in FY17 and FY18 by +5% and +20% respectively.

Impact on earnings. No changes to our earnings estimates as we have imputed these assumptions into our forecast in our report dated February 28.

Maintain NEUTRAL with TP of RM2.54 (ex-price of RM2.11). We maintain our Neutral stance on Daibochi with an unchanged TP of RM2.54 per share based on the dividend discount model (DDM). Our ex-bonus TP will be adjusted to RM2.11 following the announcement of a 2 bonus shares for 10 shares by the company in April.



Maintain NEUTRAL

**Maintain Target Price (TP): RM2.54
(Ex-price: RM2.11)**

RETURN STATS	
Price (3 May 2017)	RM2.53
Target Price	RM2.54
Expected Share Price Return	+0.3%
Expected Dividend Yield	+2.6%
Expected Total Return	+2.9%

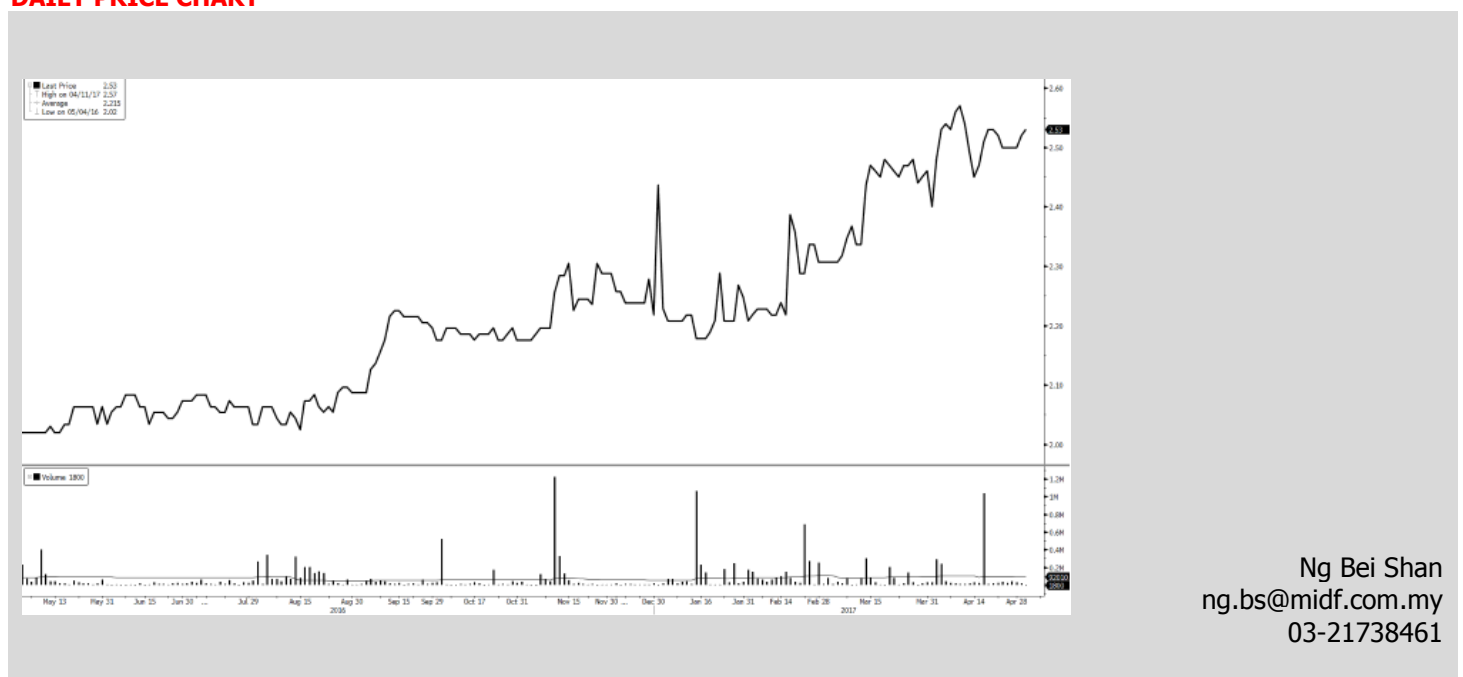
STOCK INFO	
KLCI	1,772.51
Bursa / Bloomberg	8125 / DPP MK
Board / Sector	Main/ Industrial
Syariah Compliant	Yes
Issued shares (mil)	273.25
Par Value (RM)	1.00
Market cap. (RM'm)	691.30
Price over NA	3.65
52-wk price Range	RM2.03– RM2.64
Beta (against KLCI)	0.48
3-mth Avg Daily Vol	0.08m
3-mth Avg Daily Value	RM0.20m
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 31 st Dec (RM'm)	FY2014	FY2015	FY2016	FY2017F	FY2018F
Revenue	344.5	345.0	371.2	393.7	421.4
Cost of goods sold	-312.5	-308.4	-338.6	-355.0	-376.3
Gross profit	32.0	36.6	32.6	38.7	45.2
Finance costs	-1.9	-2.4	-2.8	-3.3	-3.4
Profit before tax	31.1	35.7	30.0	35.4	41.8
Income tax expense	-7.3	-9.0	-5.4	-8.2	-9.2
Net profit	23.7	26.7	24.5	27.2	32.6
EPS* (sen)	8.7	9.8	9.0	10.0	11.9
PER (x)	n/a	12.7	n/a	10.6	19.9
Net dividend (sen)	13.5	5.9	5.4	6.6	7.2
Dividend yield (%)	5.7	2.5	2.1	2.6	2.8
Net profit margin (%)	6.9	7.7	6.6	6.9	7.6

Source: MIDFR, Company

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 >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% 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.