

Techbond Group Berhad (5289)

Sticky Margins, Sturdy Niche

Bloomberg Ticker: TECHBND MK | Investment Horizon: 12 Months

Recommendation

We reiterate BUY call recommendation with target price of RM0.38, based on unchanged FY27F PE of 13x, in line with its regional peers average, reflecting its niche, higher-margin product mix within the specialty chemicals space.

Outlook

Following the 4QFY26 post-results briefing, we remain optimistic on Techbond, underpinned by (i) a sustainable group net margin of around 15%, despite raw material cost fluctuations stemming from the Middle East conflict; (ii) an ongoing portfolio restructuring towards higher-margin product ranges and end-industries; (iii) a rising upstream polymerisation utilisation rate in Vietnam that lifts operating leverage as external orders build; and (iv) latent spare capacity at the MAC subsidiary.

Margin durability confirmed, led by paper and packaging. Management guided at the briefing that a group net margin of around 15% is sustainable, attributing the resilience to the paper and packaging segment, where revenue rose to RM34.2mn (27% of FY26 revenue) from RM30.0mn (20% in FY25), a segment anchored by a sticky fast-moving consumer goods clientele. This directly addresses the durability question we flagged into FY27F when the FY26 net margin printed a record 14.9%, up from 10.8% in FY25. As our FY27F model already embeds a net margin of approximately 16%, we treat the guidance as reassurance on the sustainability of the mix-driven uplift rather than grounds for an upgrade, and keep our forecasts unchanged.

A near-monopoly in Phenoset microspheres. Through the Malayan Adhesives and Chemicals (MAC) subsidiary, the group produces Phenoset microspheres, a phenolic-derived hollow powder polymerised from a liquid feedstock, for which management indicated only two producers exist globally, the other being a China state-linked entity, with the group the sole qualified supplier at the 13-15 micron specification. We understand that the group has expanded its microsphere customer base to three, from a single customer a few years ago, which we view positively, as the product is sticky and carries a high double-digit margin on low volumes; aerospace revenue edged up to RM9.8mn (8% of FY26 revenue) from RM8.7mn (6% in FY25). We view the niche as a structural margin anchor and an option on higher-value applications, with management exploring adjacencies spanning lightweight cement, thermal insulation, sound dampening, wind-turbine and marine repair, among others; given the low-volume nature we do not embed a step-change, and treat any doubling of the aerospace contribution as optionality to FY27F rather than a base-case assumption.

Rising utilisation in the upstream segment. The upstream polymerisation utilisation rate in Vietnam rose to c.50% in FY26 from around 30% in FY25, with the group in active negotiations for further external offtake, reinforcing the favourable operating-leverage thesis as fixed costs are spread across a larger volume base.

Raw material outlook. We understand that raw material prices have normalised to pre-conflict levels, having risen 20%-30% during the Middle East conflict. As the products are largely commoditised, we expect average selling prices (ASP) to normalise in tandem. Inventory nonetheless remains healthy at around six months of cover, with average inventory cost expected to hold at favourable levels; we therefore expect margins to be sustained rather than compressed by high-cost inventory as ASP normalises. Despite the ongoing war, we expect raw material prices to stay at current levels.

Forecast

We keep our FY27F-FY29F numbers unchanged.

Investment Risk to our Call

(i) Dependence on cyclical end-markets, (ii) raw material cost volatility and supply disruption, (iii) utilisation and production risks, and (iv) fluctuations in foreign currency exchange rates.

BUY ↔

Target Price: RM0.38 (+29%) ↔

Current Share Price: RM0.295

Main Market
Industrial Products & Services

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Company Overview

TECHBND is a leading manufacturer of industrial adhesives and chemicals, catering primarily to the furniture, packaging, and construction sectors across Southeast Asia.

Stock Information

Market Cap (RM'mn)	223.8
Issued Shares (mn)	758.7
52W High (RM)	0.33
52W Low (RM)	0.26
Estimated Free Float (%)	27.4
Beta vs FBM KLCI	0.8
3-month Average Vol. (mn)	0.3
Shariah Compliant	Yes

Consensus	FY25A	FY26F	FY27F
EPS (sen)	2.3	4.7	4.6
TP (RM)	High	Mean	Low
	0.37	0.41	0.44
Ratings	Buy	Hold	Sell
	3	0	0

Category	Score	Materiality	Weighted Score
Environmental	27	40%	2.1
Social	35	25%	1.7
Governance	37	35%	2.6
Total	99	100%	6.4

Key Assumption

Revenue Growth	Actual		Unchange		
	FY25	FY26	FY27F	FY28F	FY29F
Adhesive & Sealants	-3%	-12%	4%	3%	4%
Supporting products & Services	-10%	-20%	-3%	1%	-1%
Others	-6%	-12%	4%	3%	4%

Key Financial Metrics

FYE 30 June	FY2025A	FY2026A	FY2027F	FY2028F	FY2029F
Revenue (RMmn)	146.5	128.3	133.6	137.8	143.9
EBITDA (RMmn)	23.8	25.6	32.5	34.1	37.3
Pretax profit (RMmn)	19.6	23.7	28.0	29.5	32.6
Net profit (RMmn)	15.9	19.1	21.3	22.4	26.1
EPS (sen)	2.1	2.6	2.9	3.0	3.5
PER (x)	13.3	10.8	9.7	9.3	8.0
Core net profit (RMmn)	16.9	18.8	21.3	22.4	26.1
Core EPS (sen)	2.3	2.5	2.9	3.0	3.5
Core EPS growth (%)	3.2	8.7	16.0	3.4	16.7
Core PER (x)	12.2	11.2	9.7	9.3	8.0
Net DPS (sen)	1.0	0.8	1.3	2.3	3.3
Dividend Yield (%)	3.6	2.7	4.5	8.0	11.6
ROE (%)	6.3	6.5	7.0	7.1	8.0
P/BV (x)	0.8	0.8	0.8	0.7	0.7

Key Assumption

Name	Last Price as of 11/09/26	Mkt Cap (RM'mn)	FYE	Earnings Growth			P/E (x)		Div. Yield 1-yr Fwd	ROE
				1-yr Fwd	2-yr Fwd	Hist.	1-yr Fwd	2-yr Fwd		
United State (USD'mn)										
H.B. FULLER CO.	51.6	2,775.4	Nov-26	14.6	7.0	11.3	10.6	9.7	1.9	9.4
3M CO	164.97	85,078.7	Dec-26	6.5	8.9	19.3	18.4	16.8	1.9	82.8
Germany (EUR'mn)										
HENKEL AG & CO	72.16	30,327.5	Dec-26	0.8	6.2	15.4	13.0	12.3	3.0	9.4
Simple Avg				7.3	7.4	15.3	14.0	12.9	2.3	33.9
Malaysia (RM'mn)										
TECHBOND GROUP BHD	0.295	223.8	Jun-27	10.5	3.3	11.7	9.8	9.8	4.1	7.2

Source: Bloomberg estimates, Tradeview Research (As of 11th September 2026)

Financial Exhibits

Income statement

FYE 30 June (RMmn)	FY2025A	FY2026A	FY2027F	FY2028F	FY2029F
Revenue	146.5	128.3	133.6	137.8	143.9
Operating expenses	(133.0)	(111.4)	(93.0)	(94.7)	(97.5)
EBITDA	23.8	25.6	32.5	34.1	37.3
Depreciation	6.4	6.3	5.1	5.2	5.3
EBIT	17.3	19.3	27.4	28.9	32.0
Net int income/(expense)	2.3	4.4	0.6	0.6	0.6
Exceptional gains /(losses)	(1.0)	0.3	0.0	0.0	0.0
Associates' contribution	1.0	2.0	3.0	4.0	5.0
Pretax profit	19.6	23.7	28.0	29.5	32.6
Tax	(3.8)	(4.6)	(6.7)	(7.1)	(6.5)
Minority interest	1.0	2.0	3.0	4.0	5.0
Net profit	15.9	19.1	21.3	22.4	26.1
Core net profit	16.9	18.8	21.3	22.4	26.1

Balance Sheet Statement

FYE 30 June (RMmn)	FY2025A	FY2026A	FY2027F	FY2028F	FY2029F
Fixed assets	52.4	55.3	56.3	57.2	57.1
Other long term assets	58.0	54.7	54.0	54.0	54.0
Total non-current assets	110.4	109.9	110.3	111.2	111.1
Cash and equivalents	110.5	134.3	113.9	126.6	142.9
Inventories	38.2	37.0	35.9	37.0	38.1
Receivables	28.1	24.5	50.5	50.7	53.1
Other current assets	0.3	0.5	-	-	-
Total current assets	177.1	196.2	200.3	214.3	234.1
Payables	11.1	10.4	5.4	5.6	6.7
Short term borrowings	5.7	12.4	12.4	12.4	12.4
Other current liabilities	0.4	2.0	-	-	-
Total current liabilities	17.2	24.9	17.9	18.0	19.2
Long term borrowings	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	11.2	10.6	10.5	10.5	10.5
Total long term liab.	11.2	10.6	10.5	10.5	10.5
Shareholders' Funds	259.0	270.5	282.2	297.1	315.5
Minority Interest	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement

FYE 30 June (RMmn)	FY2025A	FY2026A	FY2027F	FY2028F	FY2029F
Pretax Profit	19.6	23.7	28.0	29.5	32.6
Depreciation & amortisation	6.4	6.3	5.1	5.2	5.3
Working capital changes	7.2	6.8	(0.9)	(1.7)	(1.9)
Others	(3.4)	(6.0)	(4.6)	(6.7)	(7.1)
C/F from operation	29.9	30.7	27.6	26.3	28.9
Capex	(4.8)	(5.5)	(6.0)	(6.0)	(5.0)
Others	(8.2)	(20.6)	0.0	0.0	0.0
C/F from investing	(13.0)	(26.1)	(6.0)	(6.0)	(5.0)
Debt raised/(repaid)	(2.1)	6.9	0.0	0.0	0.0
Dividends paid	(9.6)	(5.7)	(7.6)	(7.6)	(7.6)
Others	64.8	(0.5)	0.0	0.0	0.0
C/F from financing	53.1	0.7	(7.6)	(7.6)	(7.6)
Net change in cash flow	70.0	5.3	14.0	12.7	16.3
Free Cash Flow	25.1	25.2	21.6	20.3	23.9



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Equity:

BUY: Total stock return expected to exceed +15% over 12-month period

HOLD: Total stock return to be between -15% and +15% over a 12-month period

SELL: Total stock return expected to below -15% over a 12-month period

TRADING BUY: Total stock return expected to exceed +10% over 6-month period

TRADING SELL: Total stock return expected to below -10% over a 6-month period

IPO Note:

SUBSCRIBE: Total stock return expected to exceed +15% over 12-month period

NEUTRAL: Total stock return expected to below +15% over 12-month period