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Techbond Group Berhad (5289)

Steady Progress Ahead

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BUY

TP: RM0.41 (+32%)

Current Share Price: RM 0.31

Valuation

Our target price is based on:

FY27F PE of 13x, which is at -1 std dev below its regional peers average PE of 17x, justified by its smaller market capitalization. However, we anticipate better recovery in margins and new market penetration in Southeast Asia.

Results Report | **Growth** | **Investment Horizon : 12 months**

Results Review

TECHBND's 1QFY26 core earnings of RM4.8mn came within expectation, representing 21% of our and 22% of consensus forecast. QoQ, core earnings improved by 10%, attributable to operational cost efficiency from the absence of high expenses on alternative fuel liquefied petroleum gas (LPG) and better product mix.

Outlook

We remain positive on TECHBND's outlook despite broader macroeconomic headwinds. Its upstream polymerization business continues to engage actively with several potential customers, which we believe will help lift plant utilisation from the current 40%. Meanwhile, the Group is progressing with the restructuring of Malaysian Adhesives and Chemicals (MAC)'s customer and product portfolio. Overall, TECHBND remains focused on expanding its geographical reach, particularly in New Zealand and Indonesia, while deepening its presence in higher-margin sectors such as furniture and paper & packaging. We expect earnings to grow driven by (i) resilient demand from the furniture and packaging sectors, (ii) synergistic growth and margin uplift from MAC's niche products, (iii) new external sales opportunity from upstream segment, and (iv) better operational cost efficiency. Thus, we maintain our forecast, BUY call recommendation and target price of RM0.41, based on unchanged FY27F PE of 13x.

Key Assumption

	Unchanged		
Revenue growth	**FY2026F**	**FY2027F**	**FY2028F**
Adhesive & Sealants	19%	4%	4%
Supporting products & Services	8%	-3%	2%
Others	19%	4%	4%

Results Summary

FYE 30 June (RMmn)	1Q25	4Q25	1Q26	QoQ (%)	YoY (%)
Revenue	36.4	34.1	32.9	*-3.5*	*-9.7*
Gross profit	9.8	8.7	9.4	*8.2*	*-4.2*
EBITDA	3.9	4.0	5.9	*45.8*	*51.8*
Depreciation	1.2	1.3	1.2	*-6.9*	*6.0*
EBIT	2.7	2.7	4.6	*71.9*	*71.9*
Pretax Profit	3.0	3.6	5.7	*59.5*	*93.9*
Taxation	-0.9	-0.6	-0.9	*59.4*	*8.0*
Net Profit	2.1	3.0	4.8	*59.5*	*129.7*
Core PATAMI	4.2	4.3	4.8	*10.3*	*14.5*
Margin (%)					
GP	27.0	25.6	28.7		
EBITDA	10.6	11.8	17.8		
Pretax	8.1	10.6	17.5		
Net Profit	11.4	12.7	14.4		

Financial Exhibits

FYE 30 June	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue (RMmn)	151.1	146.5	173.1	179.5	186.6
EBITDA (RMmn)	26.3	23.8	33.6	35.5	37.3
Pretax profit (RMmn)	20.4	19.6	29.5	31.3	33.0
Net profit (RMmn)	16.4	15.9	22.4	23.8	25.1
EPS (sen)	2.2	2.1	3.0	3.2	3.4
PER (x)	14.3	14.8	10.3	9.7	9.1
Core net profit (RMmn)	16.9	16.9	22.4	23.8	25.1
Core EPS (sen)	2.2	2.3	3.0	3.2	3.4
Core EPS growth (%)	(17.5)	3.2	30.4	6.7	6.3
Core PER (x)	13.9	13.5	10.3	9.7	9.1
Net DPS (sen)	0.5	1.0	1.3	1.3	2.3
Dividend Yield (%)	1.6	3.2	4.0	4.0	7.3
ROE (%)	9.5	6.3	8.6	8.8	8.8
P/BV (x)	1.2	0.9	0.9	0.8	0.8

Financial Exhibits

Income statement

FYE 30 June (RMmn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue	151.1	146.5	173.1	179.5	186.6
Operating expenses	(133.2)	(133.0)	(130.2)	(134.8)	(139.8)
EBITDA	**26.3**	**23.8**	**33.6**	**35.5**	**37.3**
Depreciation	6.4	6.4	4.7	4.8	4.9
EBIT	**20.0**	**17.3**	**28.9**	**30.7**	**32.4**
Net int income/(expense)	0.4	2.3	0.6	0.6	0.6
Exceptional gains /(losses)	(0.5)	(1.0)	0.0	0.0	0.0
Associates' contribution	0.0	1.0	2.0	3.0	4.0
Pretax profit	**20.4**	**19.6**	**29.5**	**31.3**	**33.0**
Tax	(4.0)	(3.8)	(7.1)	(7.5)	(7.9)
Minority interest	0.0	1.0	2.0	3.0	4.0
Net profit	**16.4**	**15.9**	**22.4**	**23.8**	**25.1**
Core net profit	**16.9**	**16.9**	**22.4**	**23.8**	**25.1**

Balance Sheet Statement

FYE 30 June (RMmn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Fixed assets	56.7	52.4	53.6	54.8	55.9
Other long term assets	57.5	58.0	56.4	56.4	56.4
Total non-current assets	**114.3**	**110.4**	**110.0**	**111.2**	**112.2**
Cash and equivalents	35.8	110.5	98.2	111.1	125.1
Inventories	42.9	38.2	47.6	49.4	51.3
Receivables	38.3	28.1	38.3	38.9	39.7
Other current assets	0.2	0.3	-	-	-
Total current assets	**117.2**	**177.1**	**184.1**	**199.4**	**216.1**
Payables	20.0	11.1	7.4	7.7	8.0
Short term borrowings	2.3	5.7	5.7	5.7	5.7
Other current liabilities	1.0	0.4	-	-	-
Total current liabilities	**23.3**	**17.2**	**13.1**	**13.4**	**13.6**
Long term borrowings	5.6	0.0	0.0	0.0	0.0
Other long term liabilities	11.3	11.2	11.0	11.0	11.0
Total long term liab.	**16.9**	**11.2**	**11.0**	**11.0**	**11.0**
Shareholders' Funds	**191.2**	**259.0**	**270.0**	**286.2**	**303.7**
Minority Interest	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Cash Flow Statement

FYE 30 June (RMmn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Pretax Profit	20.4	19.6	29.5	31.3	33.0
Depreciation & amortisation	6.4	6.4	4.7	4.8	4.9
Working capital changes	(8.8)	7.2	(13.1)	(2.6)	(2.8)
Others	(0.8)	(3.4)	(7.1)	(7.1)	(7.5)
C/F from operation	**17.2**	**29.9**	**14.1**	**26.5**	**27.6**
Capex	(2.6)	(4.8)	(6.0)	(6.0)	(6.0)
Others	3.9	(8.2)	0.0	0.0	0.0
C/F from investing	**1.3**	**(13.0)**	**(6.0)**	**(6.0)**	**(6.0)**
Debt raised/(repaid)	(16.3)	(2.1)	0.0	0.0	0.0
Dividends paid	(4.0)	(9.6)	(7.6)	(7.6)	(7.6)
Others	10.1	64.8	0.0	0.0	0.0
C/F from financing	**(10.3)**	**53.1**	**(7.6)**	**(7.6)**	**(7.6)**
Net change in cash flow	**8.2**	**70.0**	**0.5**	**12.9**	**14.0**
Free Cash Flow	**14.6**	**25.1**	**8.1**	**20.5**	**21.6**

Investment Risk

1. Dependence on cyclical end-markets. Much of TECHBND's revenue is linked to industries that are sensitive to economic cycles especially furniture, construction and packaging. A downturn in any of these can reduce orders sharply.

2. Raw material cost volatility and supply disruption. Key inputs are derived from petrochemical or imported sources. Any disruption in supply chains, or sharp rises in input cost could reduce margins. Also, incidents like pipe disruptions have temporarily impacted production.

3. Utilisation and production risks. The polymerization plant in Vietnam has a certain installed capacity, but utilisation has been low in recent periods. Under-utilisation means fixed costs are spread over fewer units, hurting cost efficiency.

4. Fluctuations in foreign currency exchange rates. The group engages in transactions using various foreign currencies, including the US Dollar (USD) and Vietnamese Dong (VND). This exposes it to foreign currency risks, where unfavourable exchange rate fluctuations could negatively impact financial performance.

Tradeview Research Investment Rating System

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