

# Techbond Group Berhad (5289)

## Building on Better Mix

Bloomberg Ticker: TECHBND MK | Investment Horizon: 12 Months

### Recommendation

We maintain BUY call recommendation with target price of RM0.38, based on unchanged FY27F PE of 13x.

### Results Review

TECHBND's 9MFY26 core earnings of RM13.6mn came in within expectations, accounting for 72% of our full-year forecast but below consensus at 65% of estimates.

YoY, 9MFY26 revenue declined by 15%, with a 7% impact from foreign exchange translation effects following the appreciation of the Ringgit, alongside continued optimisation of the chemical segment's product portfolio. Despite the weaker top line, core earnings increased by 8%, supported by a strategic shift towards higher-margin products and customers, coupled with improved operating cost efficiency.

QoQ, 3QFY26 revenue edged down by 3%, largely due to fewer operating days during the festive season and ongoing product mix realignment. Meanwhile, core earnings fell by 20%, mainly driven by an unfavourable product mix, which led to a 2.9ppt decline in gross profit margin.

### Outlook

We maintain a cautiously optimistic view on TECHBND despite prevailing macroeconomic headwinds. The operating environment has been challenged by geopolitical disruptions, particularly the Middle East conflict, which have elevated raw material costs by 20-30% and introduced supply chain volatility across the industry. Additionally, Ringgit appreciation against the US Dollar has created translation headwinds on foreign currency-denominated revenues.

However, TECHBND's proactive strategic positioning has enabled it to navigate these challenges effectively and capitalize on emerging opportunities. Management's anticipatory inventory planning, supported by the Group's robust balance sheet and net cash position, allowed it to build healthy stock levels of 6-9 months ahead of the cost escalation. This foresight has proven particularly advantageous, as competitors facing inventory constraints have been unable to meet customer demand, enabling TECHBND to capture market share by onboarding new customers.

Looking ahead, we expect quarterly performance to improve, supported by a more favourable product mix skewed towards higher ASP products, alongside improved polymer plant utilisation, which increased to 55% in 3QFY26 from 40% in 2QFY26. This is particularly driven by the paper and packaging segments, where margins remain more attractive.

The Group's strategic focus on geographical expansion into the US, Australia, and Turkey is expected to further diversify its revenue base and reduce customer concentration risk. We anticipate earnings growth to be driven by: (i) resilient demand from packaging-related end markets, (ii) continued customer acquisition and deeper market penetration across new geographies, and (iii) improved operational efficiency and cost optimisation as scale benefits materialise.

### Forecast

We keep our FY26F-FY28F forecast earnings 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 (+36%) ↔

Current Share Price: RM0.28

**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)	208.6
Issued Shares (mn)	758.7
52W High (RM)	0.34
52W Low (RM)	0.27
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

## Results Summary

FYE 30 June (RMmn)	3Q25	2Q26	3Q26	QoQ (%)	YoY (%)	9M25	9M26	YoY (%)
Revenue	37.6	31.8	30.8	(3.3)	(18.2)	112.5	95.5	(15.1)
Gross profit	10.3	9.7	8.5	(12.7)	(17.5)	30.4	27.7	(9.0)
EBITDA	6.3	5.9	4.8	(18.3)	(23.1)	18.3	16.6	(9.2)
Depreciation	(1.3)	(1.2)	(1.2)	(3.3)	(8.7)	(3.7)	(3.6)	(2.2)
EBIT	5.0	4.7	3.7	(22.1)	(26.6)	14.6	13.0	(11.1)
Pretax Profit	5.6	5.7	4.8	(15.7)	(14.4)	16.0	16.3	1.4
Taxation	(1.2)	(1.0)	(0.7)	(31.7)	(40.8)	(3.2)	(2.7)	(15.1)
Net Profit	4.4	4.7	4.1	(12.3)	(7.2)	12.9	13.6	5.4
Core Net Profit	4.5	4.9	3.9	(20.0)	(12.8)	12.6	13.6	8.3
Margin (%)								
GP	27.4	30.6	27.6			27.0	29.0	
EBITDA	16.7	18.6	15.7			16.3	17.4	
Pretax	14.9	17.9	15.6			14.3	17.0	
Core Net Profit	12.0	15.5	12.8			19.8	16.6	

## Key Assumption

Revenue Growth	Actual		Unchanged		
	FY24	FY25	FY26F	FY27F	FY28F
Adhesive & Sealants	36%	-3%	14%	5%	4%
Supporting products & Services	75%	-10%	3%	-3%	1%
Others	0%	-6%	14%	4%	4%

## Key Financial Metrics

FYE 30 June	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue (RMmn)	151.1	146.5	166.1	173.1	179.5
EBITDA (RMmn)	26.3	23.8	29.1	33.7	35.3
Pretax profit (RMmn)	20.4	19.6	25.0	29.5	31.0
Net profit (RMmn)	16.4	15.9	19.0	22.4	23.6
EPS (sen)	2.2	2.1	2.6	3.0	3.2
PER (x)	13.0	13.3	10.8	9.3	8.8
Core net profit (RMmn)	16.9	16.9	19.0	22.4	23.6
Core EPS (sen)	2.2	2.3	2.6	3.0	3.2
Core EPS growth (%)	(17.5)	3.2	13.0	15.4	6.7
Core PER (x)	12.6	12.2	10.8	9.3	8.8
Net DPS (sen)	0.5	1.0	1.3	1.3	2.3
Dividend Yield (%)	1.8	3.6	4.5	4.5	8.0
ROE (%)	9.5	6.3	7.5	8.6	8.6
P/BV (x)	1.1	0.8	0.8	0.8	0.7

## Financial Exhibits

### Income statement

FYE 30 June (RMmn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue	151.1	146.5	166.1	173.1	179.5
Operating expenses	(133.2)	(133.0)	(127.7)	(130.2)	(134.7)
<b>EBITDA</b>	<b>26.3</b>	<b>23.8</b>	<b>29.1</b>	<b>33.7</b>	<b>35.3</b>
Depreciation	6.4	6.4	4.7	4.8	4.9
<b>EBIT</b>	<b>20.0</b>	<b>17.3</b>	<b>24.4</b>	<b>28.9</b>	<b>30.4</b>
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
<b>Pretax profit</b>	<b>20.4</b>	<b>19.6</b>	<b>25.0</b>	<b>29.5</b>	<b>31.0</b>
Tax	(4.0)	(3.8)	(6.0)	(7.1)	(7.4)
Minority interest	0.0	1.0	2.0	3.0	4.0
<b>Net profit</b>	<b>16.4</b>	<b>15.9</b>	<b>19.0</b>	<b>22.4</b>	<b>23.6</b>
<b>Core net profit</b>	<b>16.9</b>	<b>16.9</b>	<b>19.0</b>	<b>22.4</b>	<b>23.6</b>

### 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
<b>Total non-current assets</b>	<b>114.3</b>	<b>110.4</b>	<b>110.0</b>	<b>111.2</b>	<b>112.2</b>
Cash and equivalents	35.8	110.5	96.7	109.5	122.2
Inventories	42.9	38.2	46.7	47.6	49.4
Receivables	38.3	28.1	37.2	37.2	37.9
Other current assets	0.2	0.3	-	-	-
<b>Total current assets</b>	<b>117.2</b>	<b>177.1</b>	<b>180.6</b>	<b>194.4</b>	<b>209.5</b>
Payables	20.0	11.1	7.3	7.4	7.7
Short term borrowings	2.3	5.7	5.7	5.7	5.7
Other current liabilities	1.0	0.4	-	-	-
<b>Total current liabilities</b>	<b>23.3</b>	<b>17.2</b>	<b>13.0</b>	<b>13.1</b>	<b>13.3</b>
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
<b>Total long term liab.</b>	<b>16.9</b>	<b>11.2</b>	<b>11.0</b>	<b>11.0</b>	<b>11.0</b>
<b>Shareholders' Funds</b>	<b>191.2</b>	<b>259.0</b>	<b>266.6</b>	<b>281.4</b>	<b>297.4</b>
<b>Minority Interest</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

### Cash Flow Statement

FYE 30 June (RMmn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Pretax Profit	20.4	19.6	25.0	29.5	31.0
Depreciation & amortisation	6.4	6.4	4.7	4.8	4.9
Working capital changes	(8.8)	7.2	(11.1)	(2.0)	(2.6)
Others	(0.8)	(3.4)	(6.0)	(6.0)	(7.1)
<b>C/F from operation</b>	<b>17.2</b>	<b>29.9</b>	<b>12.6</b>	<b>26.4</b>	<b>26.3</b>
Capex	(2.6)	(4.8)	(6.0)	(6.0)	(6.0)
Others	3.9	(8.2)	0.0	0.0	0.0
<b>C/F from investing</b>	<b>1.3</b>	<b>(13.0)</b>	<b>(6.0)</b>	<b>(6.0)</b>	<b>(6.0)</b>
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
<b>C/F from financing</b>	<b>(10.3)</b>	<b>53.1</b>	<b>(7.6)</b>	<b>(7.6)</b>	<b>(7.6)</b>
<b>Net change in cash flow</b>	<b>8.2</b>	<b>70.0</b>	<b>(1.0)</b>	<b>12.8</b>	<b>12.7</b>
<b>Free Cash Flow</b>	<b>14.6</b>	<b>25.1</b>	<b>6.6</b>	<b>20.4</b>	<b>20.3</b>



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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