

DAIBOCHI BERHAD (12994-W)

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Bloomberg: DPP MK
Reuters: DPPM.KL

BUSINESS OVERVIEW

Daibochi was founded in 1972 in Melaka, Malaysia, and has established itself as a leading end-to-end flexible packaging solutions provider for strong MNC clients in the F&B and FMCG sectors, e.g. *Nestlé*, *Mondelēz International*, and *PepsiCo*. Its Melaka plants are equipped with ISO:9001, ISO:14001 and FSSC:22000 certifications, from which Daibochi serves domestic clients and exports to South East Asia (SEA) and Australia markets.

Daibochi had, on 1 July 2017, commenced operations of its plant in Myanmar under Daibochi Packaging (Myanmar) Co. Ltd. (Daibochi Myanmar), and obtained the ISO:9001:2015, Hazard Analysis and Critical Control Point Food Safety Management System (HACCP FSMS), and Food Safety System Certification (FSSC) accreditations in October 2017.

- ✓ **LARGEST supplier** of **Milo** packaging in SEA
- ✓ **SOLE supplier** to **Nestlé** Chembong Confectionery Factory (M'sia)
- ✓ **Supplier of >90%** of **Cadbury's** flexible packaging (M'sia)
- ✓ **MAJOR supplier** of **Mondelēz International** biscuits and snacks in M'sia; other key customers are Dutch Lady, Mamee and Power Root
- ✓ **MAJOR supplier** to **PepsiCo's** potato chips packaging in Thailand

DAIBOCHI'S PACKAGING SOLUTIONS

Daibochi is one of the few players with metallizing and sealing film capabilities for quality assurance and constant improvement at key stages.



Wide range of packaging solutions for various applications:

- High Barrier/Performance:** Coffee, Nuts, Potato Chips
- Cost Effective Barrier:** Snacks, Biscuits, Wafer, Chocs, Cakes
- General Packaging:** Outer Pack, Noodles, Biscuits, Wafers
- Specialty Applications:** Labelling, Ice-Cream, Frozen Food, Cereal Peel Seal, Seasoning Oil, Powder / Liquid Detergent, Shower Foam, Tobacco, Pet Food

DAIBOCHI'S MANUFACTURING FACILITIES



Daibochi 1, Ayer Keroh



Daibochi 2, Jasin

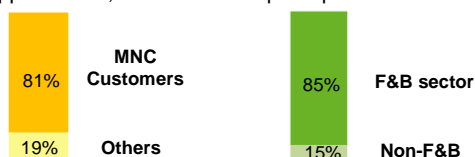


Myanmar Plant, Yangon



REVENUE SEGMENTATION

F&B still the mainstay customer sector while contributions from non-F&B to further augment growth. Significant MNC clientele to be the gateway to regional opportunities, and boost Group's export revenue.

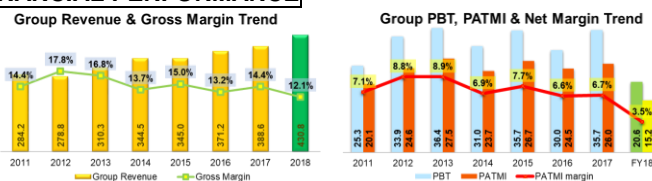


For 4QFY18 ended 31.12.2018

SEA Input%	Exports*	Sales	4Q18 RM 'mil	4Q17 RM 'mil	% Change
53%	Exports*	Exports*	58.4	58.6	-0.4%
Australia & Others Input%	Domestic	Domestic	52.0	47.0	+10.6%

*Exports include revenue from Daibochi Myanmar of RM8.6 mil in 4Q18 and RM8.5 mil in 4Q17

FINANCIAL PERFORMANCE



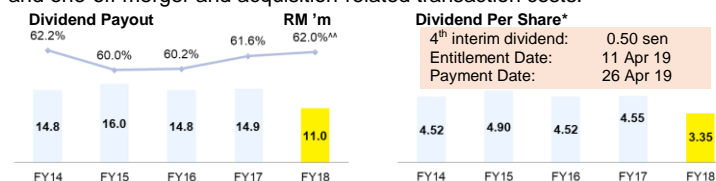
4Q18 to 31.12.18	4Q17 to 31.12.17	Change	RM'mil	FY18 to 31.12.18	FY17 to 31.12.17	Change
110.45	105.66	4.5%	Revenue	430.76	388.65	10.8%
3.26	14.82	(78.0%)	EBITDA	37.44	51.39	(27.1%)
(0.36)	11.29	n.a.	Operating Profit	23.43	37.61	(37.7%)
0.82	0.78	4.9%	Share of Associate Results	1.05	1.15	(9.4%)
(0.60)	11.18	n.a.	Pre-tax Profit	20.62	35.75	(42.3%)
(1.57)	7.90	n.a.	Net Profit to Shareholders	15.24	25.93	(41.2%)
(0.48)	2.42	n.a.	Basic EPS (sen)	4.65	7.92	(41.3%)
3.0%	14.0%	(11.0 pt)	EBITDA margin	8.7%	13.2%	(4.5 pt)
n.a.	10.6%	n.a.	PBT margin	4.8%	9.2%	(4.4 pt)
n.a.	7.5%	n.a.	Net margin	3.5%	6.7%	(3.2 pt)

Percentages presented might not reflect absolute figures due to rounding

Group revenue for 4QFY18 rose 4.5% year-on-year to quarterly record of RM110.5 mil (4QFY17: RM105.7 mil) mainly driven by increased deliveries to a key MNC in the Malaysia market.

The Group recorded 4QFY18 net loss of RM1.6 mil (4QFY17: RM7.9 mil) due to one-off merger and acquisition-related transaction costs of RM4.9 mil, higher raw materials cost particularly for polyester film, the sales mix, and increased operating expenses.

Daibochi declared a fourth interim single tier dividend of 0.50 sen per share in 4QFY18, with entitlement date of 11 April 2019 and payable on 26 April 2019. Together with the earlier paid interim single tier dividends amounting to 2.85 sen per share, the Group declared a total of 3.35 sen dividends in respect of FY18, amounting to a payout of RM11.0 mil or 62.0% of FY18 group net profit, excluding net profit contributions from Daibochi Myanmar and one-off merger and acquisition-related transaction costs.



^A Excludes net profit contribution from Daibochi Myanmar

^{AA} Excludes one-off merger and acquisition-related transaction costs of RM4.9 million

* For comparative purpose, dividend per share had been adjusted to reflect bonus issue of 2 for every 10 ordinary shares

FY2019 OUTLOOK

- ♦ **Malaysia plant**
 - Aiming to develop more innovative and sustainable flexible packaging solutions
- ♦ **Myanmar plant**
 - Pursuing contracts from F&B and FMCG producers in Myanmar
 - Leverage on lean cost structure and geographical advantage to increase exports to cost-sensitive customers in SEA
 - Preparing to serve MNC's expanding packaging requirements in SEA
 - ISO:9001:2015, HACCP FSMS, and FSSC certifications will allow Daibochi Myanmar to enter the qualification process with MNCs
- ♦ **Acquisition of majority stake of 42.4% by Scientex Berhad**
 - To capture synergies through technology, expertise, and resource sharing to enhance operating efficiency and capabilities
 - Scientex's complementary product portfolio to enhance value proposition to MNCs; to collaborate in research and development

INVESTMENT MERITS

- ♦ Increasing MNC business provides earnings stability and new opportunities to grow sales in line with their market expansions
- ♦ Contributions from Myanmar plant set to grow exponentially
- ♦ Valuation underscored by sustained growth and dividend policy

INVESTMENT STATISTICS

Based on price (20.02.19): RM1.60, Net Assets (31.12.18): RM0.62/share
Share Capital: RM164.2 mil (327.3 mil shares)

Market Capitalisation	RM523.8 mil
Trailing PE Ratio	34.4x
Dividend Yield (FY2018)	2.1%
P/Net Assets	2.6x
Return on Avg. Shareholders' Equity (FY2018)	7.6%
Return on Avg. Assets (FY2018)	4.2%

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