

Daibochi reports stable revenue q-o-q in 5Q FY2019

- *Posts net profit of RM1.5 million in 5Q FY2019 despite one-off inventory write down*
- *Proposed acquisition of MPP positions Daibochi as super regional player; enlarged Group to derive synergies with Scientex in raw material procurement, technical expertise and product development*

Melaka, Malaysia, 14 May 2019 - Leading flexible packaging manufacturer Daibochi Berhad, formerly known as Daibochi Plastic And Packaging Industry Bhd, (Daibochi; 耐慕志; Bloomberg: DPP:MK; Reuters: DPPM.KL) reported stable revenue of RM110.8 million in the three months ended 31 March 2019 compared to RM110.5 million in the preceding three months ended 31 December 2018, driven by resilient sales to the food and beverage (F&B) and fast moving consumer goods (FMCG) segments in Malaysia.

Daibochi had, on 29 April 2019, announced a change in financial year end from 31 December to 31 July, and would therefore report a financial period spanning 19 months ending 31 July 2019 which is also referred to as FY2019. The results for the three months ended 31 March 2019 is referred to as 5Q FY2019, while the preceding three months ended 31 December 2018 is referred to as 4Q FY2019.

While revenue was maintained, the Group recorded net profit of RM1.5 million in 5Q FY2019 versus a net loss of RM1.6 million in 4Q FY2019. Adjusting for a one-off inventory write down of RM2.7 million in 5Q FY2019, as well as one-off merger and acquisition costs of RM4.9 million in 4Q FY2019, the Group reported improved profit and margin for the quarter.

For the 15-month period ended 31 March 2019 (15M FY2019), Daibochi posted revenue of RM541.6 million and net profit of RM16.8 million.

Elaborating on the Group's forward strategy, Daibochi Managing Director Thomas Lim said it planned to accelerate growth in its Malaysia and Myanmar plants, and enhance synergies by leveraging on its parent company Scientex Berhad (Scientex) and proposed acquisition of Mega Printing & Packaging Sdn Bhd (MPP).

Scientex held a 61.9% stake in Daibochi following a share sale by several Daibochi vendors and conclusion of the Mandatory General Offer by Scientex on 1 April 2019. Meanwhile, Daibochi proposed on 3 May 2019 to acquire Melaka-based flexible plastic packaging (FPP) manufacturer MPP for a cash consideration of RM125 million.

“We continue to target more orders from our multinational corporation (MNC) clients in Malaysia and Southeast Asia for our Malaysia plant. This is coupled with efforts to improve production efficiency to enhance overall profitability.

Simultaneously, our Myanmar operations is rapidly gaining traction in attracting new MNC customers. Our significant investments to obtain comprehensive food safety and quality certifications have led us to enter into pre-qualification with two MNC clients, supporting our aim to be the MNCs’ FPP supplier of choice in Myanmar.

With the proposed acquisition of MPP and under the Scientex growth platform, Daibochi is poised to benefit from the larger resource pool in terms of production facilities, technical expertise, raw material procurement and development of next-generation packaging solutions, including sustainable products. These initiatives are geared towards improving the Group’s profitability and margins in the long term.”

Mr. Thomas Lim (林树坤)
Managing Director, Daibochi Berhad

Daibochi’s acquisition of MPP, expected to be completed in the third quarter of 2019, would see the two FPP giants with close to 70 years cumulative experience joining forces with a larger product portfolio, manufacturing capacities, and a wider network of customers and suppliers.

MPP would come onboard the Scientex growth partnership platform within the Daibochi fold to fulfil increasing demand from multinational corporations and brand owners locally and abroad.

“This exercise is an opportunity for Daibochi to continuously expand our market share and sustain our competitive advantage in the growing FPP segment in South East Asia. MPP would not only be able to contribute immediately to Daibochi, but more importantly combine our strengths to scale up our operations in a big way,” concluded Thomas Lim.

Financial Summary (Unaudited Consolidated Results)				
RM'000	5Q19 to 31.03.19	4Q19 to 31.12.18	Change (QoQ)	15M19 to 31.03.19
Revenue	110,821	110,452	0.3%	541,577
Pre-tax Profit	2,380	(600)	n/a	23,002
Net Profit to Shareholders	1,546	(1,573)	n/a	16,787



About Daibochi Berhad (formerly known as Daibochi Plastic and Packaging Industry Berhad) (www.daibochi.com)

Daibochi, founded in 1972, is a leading end-to-end flexible packaging solutions provider for globally-renowned clients in the Food & Beverage (“F&B”) and FMCG sectors.

Daibochi’s scope of services includes prepress, extrusion/dry lamination, metalizing, and slitting/bagging. The Group’s Melaka plants in Malaysia are equipped with ISO:9001, ISO:14001 and FSSC:22000 certifications, while its Myanmar plant is ISO:9001:2015 and Hazard Analysis and Critical Control Point Food Safety Management System (HACCP FSMS) certified.

Through the years, Daibochi has built a strong MNC-focused clientele which includes Nestle, Mondelez International, PepsiCo, and Mars. The Group also exports its products overseas, including to South East Asia and Australia.

Issued for and on behalf of DAIBOCHI BERHAD by Aquilas Advisory (Malaysia) Sdn Bhd. For more information, please contact:

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