

15 May 2019 | 5QFY19 Results Review

Daibochi Berhad

Lacklustre results

INVESTMENT HIGHLIGHTS


- **5QFY19 results below expectation**
- **Earnings estimates cut by 11% for the full year of CY19**
- **Change in dividend policy to 30% payout**
- **Maintain SELL with adjusted TP of RM1.55**

5QFY19 results below expectation. Daibochi's results for the three months ended March CY2019 (5QFY19) was lower than expectations, making up only 7% of ours and 5% of consensus' full year estimates. The negative deviation can be attributed to higher-than-expected operating costs. Notably, EBIT margin was 3% compared to 9% in the previous corresponding period.

Net profit fell 76%yoy to RM1.6m, which is a sharp decline from RM6.5m a year ago. This is despite a 5.8% increase in revenue to RM110.8m. Compared to previous quarter, the sequential turnaround is mainly due to one-off merger and acquisition expenses recorded previously.

Earnings estimates cut by -11% for the full year of CY19. Due to the weaker-than-expected set of earnings, we have reduced our estimate for CY19 to RM20.5m from RM23.0m previously.

Change in dividend policy to 30% payout. Daibochi has also announced that it will be changing its dividend policy from at least 60% payout set in FYE Dec 2017 to annual dividend of not less than 30% currently. This does not come as a surprise as Daibochi is embarking on expansion plans and will need to conserve some of the cash for possible M&As in the future. It has announced to acquire one of its local peers, Mega Printing & Packaging Sdn Bhd, for RM125m cash earlier this month. However, the shift in its dividend policy may be a negative change for yield-seeking investors.

Maintain SELL with adjusted TP of RM1.55. Following the reduction in our earnings and dividend estimates, we have reduced our DDM-derived TP to RM1.55 from RM1.60 previously. Our SELL recommendation is maintained due to the recent run-up in share price and low operating profitability. Moreover, dividend yield is unattractive at 1.5%. 

Maintain SELL
Adjusted Target Price (TP):RM1.55
(Previously RM1.60)

RETURN STATS	
Price (14 th May 2019)	RM2.20
Target Price	RM1.55
Expected Share Price Return	-29.6%
Expected Dividend Yield	+1.5%
Expected Total Return	-28.1%

STOCK INFO	
KLCI	1,599.19
Bursa / Bloomberg	8125 / DPP MK
Board / Sector	Main/ Industrial
Syariah Compliant	Yes
Issued shares (mil)	327.35
Market cap. (RM'm)	720.17
Price over NA	4.34
52-wk price Range	RM1.55– RM2.37
Beta (against KLCI)	0.41
3-mth Avg Daily Vol	0.34m
3-mth Avg Daily Value	RM0.59m
Major Shareholders (%)	
Scientex Bhd	61.89
Apollo Asia Fund Limited	9.38
Samarang UCITS	5.87

INVESTMENT STATISTICS

FYE Dec (RM'm)	FY2016	FY2017	FY2018	FY2019F*	FY2020F*
Revenue	371.2	388.7	430.8	465.7	506.2
Gross profit	49.2	39.9	31.7	35.7	41.8
Profit before tax	30.0	35.7	20.6	25.6	31.6
Income tax expense	-5.4	-8.7	-3.8	-3.8	-4.7
Net profit	24.5	27.1	16.8	21.8	26.8
PATAMI	24.5	26.0	15.2	20.5	25.2
EPS (sen)	7.5	7.9	4.6	6.2	7.7
EPS growth (%)	-8.3	6.0	-41.3	34.4	23.1
PER (x)	29.4	27.8	47.3	35.2	28.6
Net dividend (sen)	5.4	5.2	3.4	3.4	4.2
Dividend yield (%)	2.5	2.4	1.5	1.5	1.9
Gross profit margin (%)	13.3	10.3	7.4	7.7	8.3
Profit before tax margin (%)	8.1	9.2	4.8	5.5	6.2
Net profit margin (%)	6.6	7.0	3.8	4.4	5.0

Source: Company, MIDFR

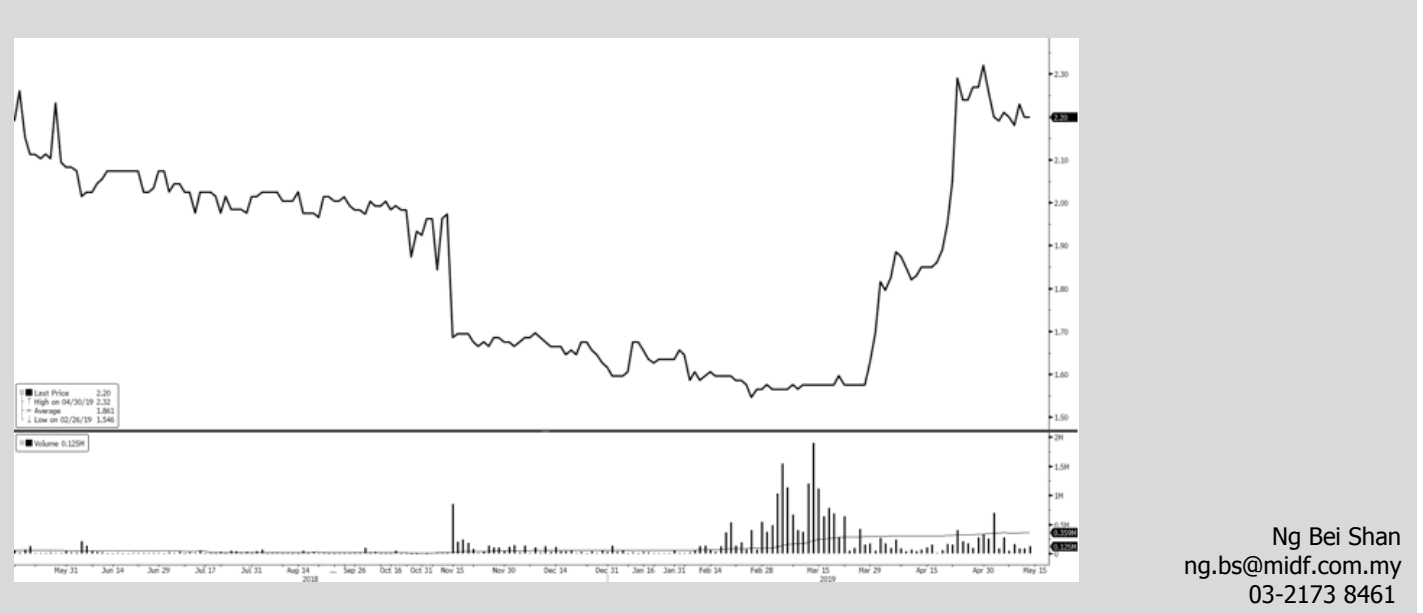
Daibochi has changed its financial year to July-2019 but we maintain it Dec-2019 for comparison purpose.

Daibochi: 5QFY19 results summary

FYE Dec (RM'm)				
	5QFY19	1QFY18	YoY (%)	QoQ (%)
Revenue	110.8	104.7	5.8	0.3
Profit from operations	3.3	9.4	(64.9)	N/A
Finance costs	(1.0)	(0.9)	15.8	N/A
Share of profit of equity-accounted associate	0.0	0.0	(139.1)	N/A
Profit before tax	2.4	8.5	(71.8)	N/A
Income tax expense	(0.2)	(1.5)	(84.5)	N/A
Profit after tax	2.1	7.1	(69.8)	N/A
PATAMI	1.6	6.5	(76.2)	N/A
Basic EPS (sen)	0.5	2.0	(76.3)	N/A
			<i>+ / (-) ppts</i>	
PBT margin (%)	2.1	8.2	(6.0)	(3.7)
PAT margin (%)	1.9	6.8	(4.8)	(3.4)
Tax rate (%)	9.6	17.1	(7.5)	1.1
Geographical Segments				
<i>Revenue</i>				
Malaysia	82.2	81.0	1.5	3.6
Australia	19.5	15.3	27.7	(15.4)
Myanmar	8.5	8.1	5.5	31.2

Source: Company, MIDFR

DAILY PRICE CHART



Source: Bloomberg

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.