

# 2Q FY2017 Results Presentation

10 August 2017

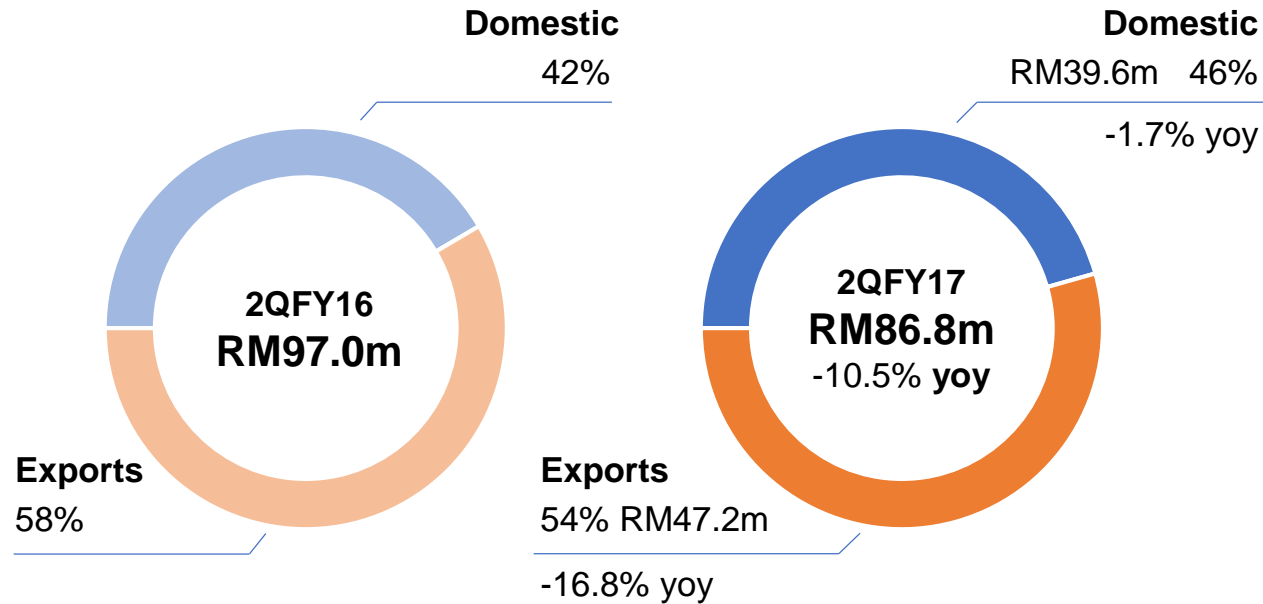
IR Adviser



# 2QFY17 OPERATIONS REVIEW

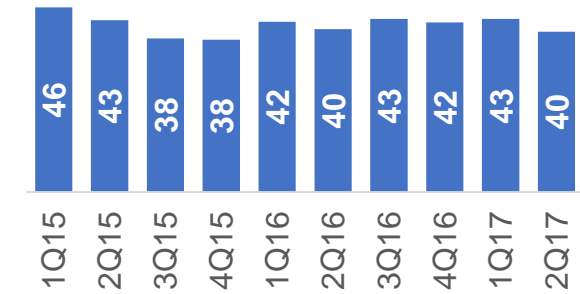
# Lower export revenue in 2Q17 due to temporary disruptions of a key customer's manufacturing line ... eyeing stronger performance in 2H17 on new contracts

> 2QFY17 **domestic sales** largely maintained

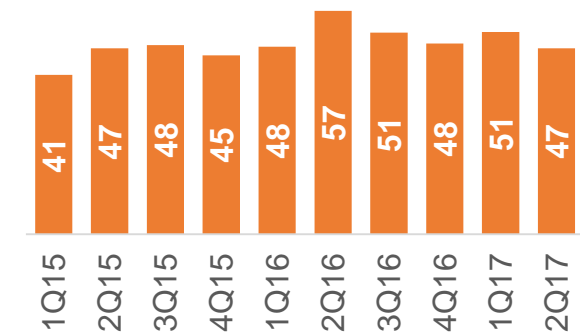


> 2QFY17 **exports** lower due to temporary disruptions of a key customer's manufacturing line in the Philippines, which has since resumed operations

Quarterly Domestic Revenue (RM 'mil)



Quarterly Export Revenue (RM 'mil)



# Myanmar operations to contribute significantly to Group's financial performance effective 3Q17... also on track to commence exports to MNCs in Indonesia in 4Q17

## ➤ MYANMAR SUBSIDIARY COMMENCED OPERATIONS

- DPM (60% owned by Daibochi) commenced operations in Myanmar on 1 July 2017
  - Expected to contribute significantly to financial performance effective 3Q17
  - Delivered first exports of consumer packaging in early August
  - Targeting high-growth and 20% contribution to Group revenue by end-2018

## ➤ COMMENCING NEW EXPORT ORDERS

- Commenced trial production runs for two MNC customers in Indonesia
  - To supply consumer packaging to F&B and FMCG industries
  - Timely progress in trial production; expected to commence exports in 4Q17

## ➤ IMPROVING OPERATING EFFICIENCY

- Mitigating labour shortage
  - Incoming new foreign worker hires since January 2017 gradually resolving labour issues
- Investing RM9.8m in 2H17 for new machinery, comprising:
  - 1 unit flexographic printer, 2 units high-speed slitting machines, 1 unit seaming and inspection machine

# 2QFY17 FINANCIAL REVIEW

# Lower revenue in 2Q17 on temporary slowdown in exports... expected to pickup in 2H17

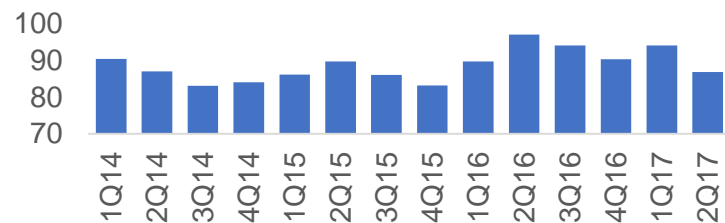
RM'mil	2Q17 to 30.06.17	1Q17 to 31.03.17	% chg qoq	1H17 to 30.06.17	1H16 to 30.06.16	% chg yoy
<b>Revenue</b>	86.84	94.12	(7.7%)	180.95	186.73	(3.1%)
<b>EBITDA</b>	10.76	11.14	(3.5%)	21.90	23.23	(5.7%)
<b>Operating Profit</b>	7.36	7.77	(5.4%)	15.13	16.93	(10.7%)
<b>Share of Associate Results</b>	(0.03)	0.35	n/m	0.32	(0.12)	n/m
<b>Pre-tax Profit</b>	6.65	7.44	(10.5%)	14.09	15.50	(9.1%)
<b>Net Profit to Shareholders</b>	5.05	5.77	(12.5%)	10.81	12.58	(14.1%)
<b>Basic EPS (sen)*</b>	1.54	1.76	(12.6%)	3.30	3.84	(14.1%)
EBITDA margin	12.4%	11.8%	0.5 pt	12.1%	12.4%	(0.3 pt)
PBT margin	7.7%	7.9%	(0.2 pt)	7.8%	8.3%	(0.5 pt)
Net margin	5.8%	6.1%	(0.3 pt)	6.0%	6.7%	(0.8 pt)

## 1H17 Review (YoY comparison)

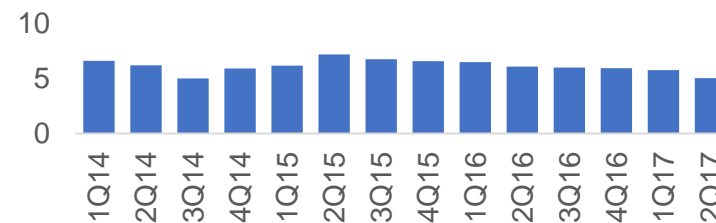
- Revenue decreased mainly attributed to temporary disruption in a key customer's manufacturing line in Philippines, which has since resumed operations
- EBITDA margins generally maintained
- Net profit declined due to lower revenue and lesser foreign exchange gain

\*For comparative purpose, the Earnings Per Share for the quarter/ period ended June 30, 2017 had been adjusted to reflect the bonus issue of 2 for every 10 ordinary shares held by the entitled shareholders, which was completed on June 28, 2017

Quarterly Revenue  
(RM 'm)



Quarterly PAT  
(RM 'm)

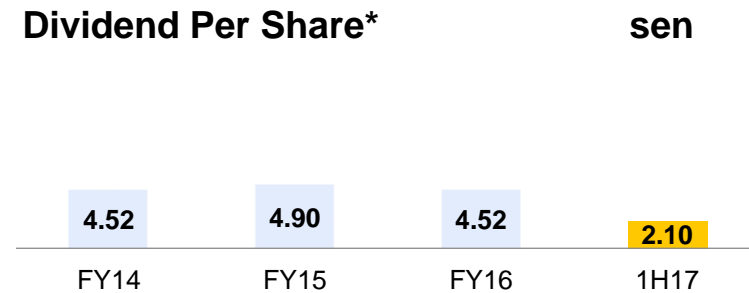
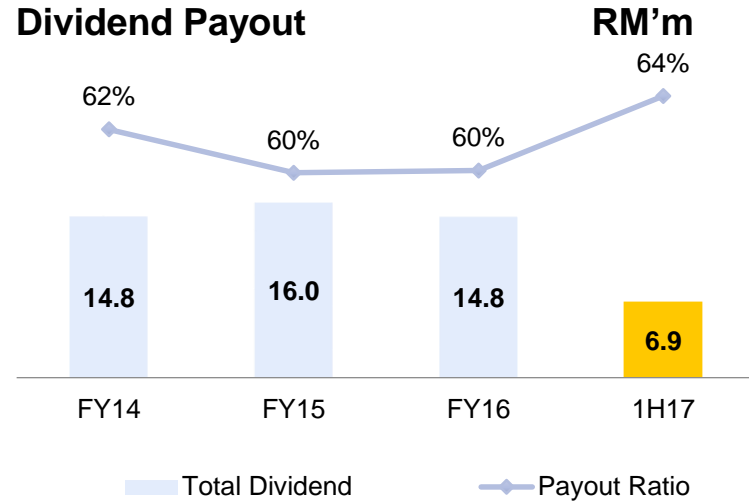


# Net gearing stable at 0.22x... maintaining healthy balance sheet and double-digit returns

	As at 30.06.2017 (Unaudited)	As at 31.12.2016 (Audited)	Remarks
Fixed Assets (excl associate investment & deferred tax)	136.08	141.22	
Associate Investment	20.56	20.25	
Current Assets	152.36	146.81	Due to increase in inventories
Current Liabilities	90.28	92.44	
Shareholders' Equity	195.47	189.17	Due to increase in retained earnings
Total Borrowings	53.69	53.99	
Cash & Bank Balances	11.05	15.83	Due to increase in stock holding
Net Gearing	0.22 x	0.20 x	
Return on Average Shareholders' Equity*	12.0%	13.2%	
Return on Average Total Assets*	7.3%	8.1%	

\*based on net profit for the trailing twelve months

# Second interim single-tier dividend of 1.0 sen per share payable on 20 September 2017 (ex-date on 25 August 2017)...



## Payment History

	Dividend per share (sen)		Dividend Payout (RM 'm)	
	FY2016	FY2017	FY2016	FY2017
1 <sup>st</sup> Interim (single tier)	1.21*	1.10*	3.95	3.60
2 <sup>nd</sup> Interim (single tier)	1.11*	1.00	3.62	3.30
3 <sup>rd</sup> interim (single tier)	1.10*		3.59	
4 <sup>th</sup> interim (single tier)	1.10*		3.60	
<b>Total</b>	<b>4.52</b>	<b>2.10</b>	<b>14.76</b>	<b>6.90</b>

*\*For comparative purpose, dividend per share had been adjusted to reflect bonus issue of 2 for every 10 ordinary shares completed on June 28, 2017*

**Dividend policy to pay out at least 60% of net profit attributable to shareholders**



**CORPORATE EXERCISE**

## Completed bonus and 5-year free warrants issue...

- **Successfully completed 2-for-10 bonus issue**
  - » 54.6 million bonus shares listed on the Main Market of Bursa Malaysia on 28 June 2017
  - » Enhance trading liquidity of Daibochi shares and potential to broaden shareholder base
  - » Enlarged share capital through capitalization of retained earnings
  
- **Successfully completed 1-for-10 free warrants issue**
  - » 27.3 million 5-year warrants listed on the Main Market of Bursa Malaysia on 28 June 2017
  - » Exercise price of RM2.50 to raise RM68.3 million for working capital
    - To finance, amongst others, salaries, repayment to trade creditors as well as general expenses
  - » Low cost entry for shareholders to increase equity participation in the Group

	As at 31 December 2016	After bonus issue of shares	After issue of warrants	Assuming full exercise of warrants
Share capital	136,623	163,948	163,948	232,259
Share premium	2,950	-	-	-
Translation reserve	595	595	595	595
Treasury shares	(2,354)	-	-	-
Retained earnings	51,357	26,982	26,982	26,982
Warrants reserve	-	-	2,732	-
Discount on shares	-	-	(2,732)	-
Shareholders' equity	189,171	191,525	191,525	259,836
No. of ordinary shares	273,246	327,895	327,895	355,220

**INVESTMENT MERITS**

# Led by innovation and efficiency... a market leader in supplying top quality consumer flexible packaging to MNCs in the region

Price

**RM2.20**

Market Cap

**RM721m**

P/E (ttm)

**31.7x**

P/B

**3.7x**

EV/EBITDA (ttm)

**17.4x**

FY16 Div. Yield

**2.1%**

## KEY MERITS

- MNCs make up **80%** of total revenue  
(benefitting from steady and large orders, strong creditworthiness)
- Exports to SEA & ANZ exceed **50%** of revenue
- Supplier to **renowned** F&B and FMCG brands  
(supporting highly-resilient sectors)
- **Industry-leading** R&D and product innovation
- **Highly-experienced** management team

## Contact Information

### Investor Relations

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**Corporate Profile**

## DAIBOCHI PLASTIC & PACKAGING INDUSTRY BERHAD

Exchange	Main Market, Bursa Malaysia since 1990 (transferred from Second Board in 2003)
Sector	Industrial Products
Codes	Bursa: 8125 / DAIBOCI Bloomberg: DPP:MK Reuters: DPPM.KL
Share Capital	RM164.1 mil (327.9 mil shares)
Market Capitalization	RM721.4 mil (RM2.20 as at 7 August 2017)

# Commendable track record in serving a wide number of MNC clientele in the F&B industry with stringent quality control...

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- The **Largest Supplier** of Milo packing in Southeast Asia
- The **Sole Supplier** to Nestle Chembong confectionery in Malaysia
  - Daibochi is the only Southeast Asian company on Nestle's Regional Food Safety Committee
- **Major Supplier** of Mondelez biscuits, snacks, and chocolate packaging in Malaysia
- **Major Supplier** of flexible packaging to Pepsico Thailand for potato chips products



# Internationally-certified production facilities that comply with all factory audits by MNC clientele... strength in innovation

- Accredited and world-class production facilities
  - Attained ISO:9001 and ISO:14001 certifications
  - Obtained Food Safety System Certification (FSSC:22000) in May 2014
- Well-equipped laboratory testing facilities
  - To ensure our products consistently exceed customers' packaging barrier, retention and migration requirements
  - Recent breakthrough in producing 2-layer film to potentially replace conventional 4-layer film



# Integrated end-to-end packaging process... equipped with specialized in-house capabilities

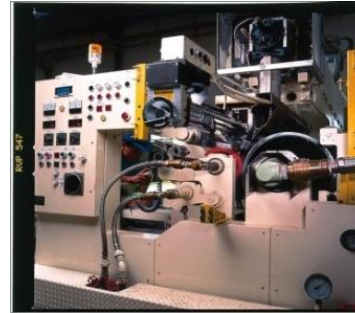
The only player with in-house cylinder-making, and one of the few with metallizing and sealing films capabilities for quality assurance and constant improvement at key stages



In-house capabilities



Up to 9-colour 2-sided printing



Solvent-based/free



Capabilities incl Standing Pouch



CPP Film



Polypropylene sealing films

Metallizer



To build high barriers

# Leading flexible packaging solutions provider, with enviable reputation exceeding 40 years...

- 2017** – Commenced operations of Daibochi Packaging (Myanmar) Company Limited on 1 July 2017
- 2016** – Expanded Daibochi Plant 2 to 140,000 sq ft from 80,000 sq ft previously; commenced operations of new blown film machine  
Signed MOA with Myanmar Smart Pack Industrial Company Limited (MSP) to set up joint venture company in Myanmar  
Winner of the Top Overall Corporate-Governance Award 2016 in Mid-Cap Category by Minority Shareholder Watchdog Group
- 2015** – Acquired high-speed extrusion lamination machine, high-speed printing machine;  
Winner of the Top Overall Corporate-Governance Award 2015 in Mid-Cap Category by Minority Shareholder Watchdog Group
- 2014** – Commenced operations of 2<sup>nd</sup> manufacturing plant (Daibochi Plastic Plant 2) in Jasin, Melaka; acquired 2<sup>nd</sup> metallizer and 1<sup>st</sup> high speed CPP machine  
Supplier to leading homegrown instant beverage producer; Obtained Food Safety System Certification (FSSC:22000);  
Winner of the Top Overall Corporate-Governance Award 2014 in Mid-Cap Category by Minority Shareholder Watchdog Group
- 2013** – Supplier to PepsiCo Thailand (Chiang Mai plant);  
Winner of the Top Overall Corporate-Governance Award 2013 in Mid-Cap Category by Minority Shareholders Watchdog Group
- 2012** – Set up Cleanroom for bagging process
- 2011** – Acquired high-speed printing machine; Acquired metallizer to produce ultra high barrier films; Accredited with ISO:14001
- 2010** – Obtained Letter of Validation from USA for electronic packaging
- 2008** – Acquired wide web polypropylene film making machine
- 2007** - Received Gold Award for the Colorpak Packaging Export Award at Australian Packaging Awards
- 2004** – Acquired M'sia's 1<sup>st</sup> 5-layer-blown film machine to produce transparent barrier films
- 2003** – Transfer to Main Board (now Main Market); Accredited with HACCP
- 2002** – Acquired metallizer with Plasma Tech to produce high-barrier films; **Regional Supplier to Nestle in SEA**
- 1999** – Supplier to Nestle M'sia
- 1990** – Acquired metallizer to produce in-house metalized films; Listed on 2<sup>nd</sup> Board of KLSE (Bursa M'sia)
- 1987** – Acquired polypropylene film-making machine to produce in-house films
- 1984** – Started in-house printing cylinder making
- 1972** – Established in Melaka with 10,000 sq ft plant; Moved to larger premises with 165,527 sq ft



## PRODUCTION FACILITIES (CONT'D)

# Wide range of packaging solutions for various product functions... constantly innovating for changing requirements

Film Type	Applications / Use
High Permeability Barrier / Performance	Coffee, Nuts, Potato Chips
Cost Effective Barrier	Snacks, Biscuits, Wafer, Chocolate, Cakes
General Packaging	Outer Pack, Noodles, Biscuits, Wafers
Specialty Application	Labelling, Retort Packaging, Ice-cream, Frozen Food, Cereal Peel Seal, Seasoning Oil, Powder/Liquid Detergent, Shower Foam, Tobacco, Pet food

# Experienced management with industry expertise...

## **Thomas Lim Soo Koon, Managing Director**

- › Holds a degree in Bachelor of Science Industrial Engineering and Management from Oklahoma State University, & Master of Business Administration degree from Oklahoma State University.
- › Joined Daibochi in 1995, and was appointed as Managing Director in February 2005.
- › Played a key role in building Group's MNC clientele.

## **Datuk Wira Wong Soon Lim, Executive Director**

- › An accountant by training and a member of the Malaysian Association of the Institute of Chartered Secretaries and Administrators.
- › Has an extensive experience and knowledge in the field of accounting, finance, consultancy, corporate finance, manufacturing and property development. Instrumental in listing of the Company.

## **Low Chan Tian, Executive Director**

- › Holds a degree in Bachelor of Engineering from the University of Western Australia.
- › Has wide experience in manufacturing, property development, business and finance.

## **Low Jin Wei, Executive Director**

- › Holds a degree in Bachelor of Commerce (Major in Finance & Marketing) from University of Sydney, NSW, Australia.
- › Prior to this, Mr. Low was the Managing Director / Project Director of GlassKote (Malaysia) Sdn Bhd from 2005 to September 2010.

## Institutional investors holding approximately 30%...

	<b>No. of shares ('mil)</b> <small>(30.06.2017)</small>	<b>Percentage</b>
Low Chan Tian, ED	33.8	10.3%
Apollo Asia Fund Ltd	30.7	9.4%
Lim Koy Peng	27.7	8.5%
Halley Sicav – Halley Asian Prosperity	19.3	5.9%
Datuk Wira Wong Soon Lim, ED	19.1	5.8%

# Growth in flexible packaging to be led by the Asian region... penetration into new product categories to bring next wave

- Worldwide consumer flexible packaging market worth \$92 bil in 2015
  - Estimated to grow 4% p.a. to reach \$114 bil in 2020
  - Growth to be led by Asia Pacific & other emerging regions (e.g. South & Central America)

*Source: Smithers' Pira – The Global Flexible Packaging Market – Trends and Forecasts*

- Growth catalysts for Asia's flexible packaging market
  - Higher demand for cheaper and smaller pack sizes in line with affordability of general population (especially post economic slowdown)
  - Increase in working mothers / dual-income households leading to preference for convenience packaging
  - Development of multinational food retailers and manufacturers in the region; indicating the long-term growth potential in Asia

*Source: The Asia Pacific Flexible Packaging Market to 2016 by PCI Consulting Films Ltd*