



DAIBOCHI PLASTIC & PACKAGING INDUSTRY BHD (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, Mondelez 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-New Zealand (ANZ) 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 accreditation and Hazard Analysis and Critical Control Point Food Safety Management System (HACCP FSMS) certification 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 Mondelez 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 the only player with in-house cylinder-making, and one of the few 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

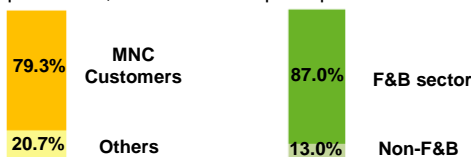


Myanmar Plant, Yangon



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.



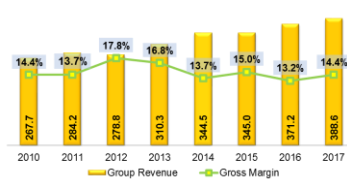
For 4Q17 ended 31.12.2017

SEA 77%	56% Exports*	Sales	4Q17 RM 'mil	4Q16 RM 'mil	% Change
ANZ & Others 23%		Exports*	58.6	48.5	21.0%
	44% Domestic	Domestic	47.0	41.9	12.2%

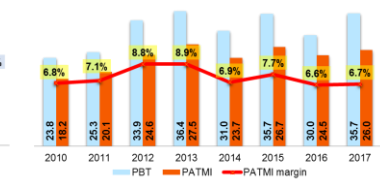
*Exports include revenue from Daibochi Myanmar of RM8.5 mil

FINANCIAL PERFORMANCE

Group Revenue & Gross Margin Trend



Group PBT, PATMI & Net Margin Trend

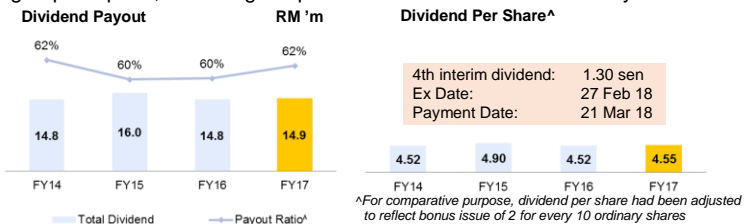


4Q17 to 31.12.17	4Q16 to 31.12.16	Change	RM'mil	FY17 to 31.12.17	FY16 to 31.12.16	Change
105.66	90.36	16.9%	Revenue	388.65	371.16	4.7%
14.81	10.92	35.6%	EBITDA	51.38	45.27	13.5%
11.29	7.70	46.6%	Operating Profit	37.60	32.61	15.3%
0.78	0.24	218.9%	Share of Associate Results	1.16	0.09	1183.3%
11.17	7.27	53.7%	Pre-tax Profit	35.74	29.95	19.3%
7.93	5.93	33.7%	Net Profit to Shareholders	25.96	24.52	5.9%
2.42	1.81	33.7%	Basic EPS (sen)*	7.92	7.49	5.7%
14.0%	12.1%	1.9 pt	EBITDA margin	13.2%	12.2%	1.0 pt
10.6%	8.0%	2.6 pt	PBT margin	9.2%	8.1%	1.1 pt
7.5%	6.6%	0.9 pt	Net margin	6.7%	6.6%	0.1 pt

*Adjusted to reflect the bonus issue of 2 for every 10 ordinary shares, completed on June 28, 2017
Percentages presented might not reflect absolute figures due to rounding

Group revenue for 4QFY17 rose 16.9% to RM105.7 mil (4QFY16: RM90.4 mil) due to higher domestic and export sales, as well as new contribution from the Myanmar plant of RM8.5 mil. Group 4QFY17 net profit surged 33.7% to RM7.9 mil (4QFY16: RM5.9 mil) on higher margin contribution from the Myanmar plant as well as improved wastage control, enhanced operating efficiency, and better sales mix.

Daibochi declared a fourth interim single tier dividend of 1.30 sen per share in 4QFY17, with ex-date of 27 February 2018 and payable on 21 March 2018. Together with the earlier paid interim single tier dividends amounting to 3.25[^] sen per share, the Group declared a total of 4.55[^] sen dividends in respect of FY17, amounting to a payout of RM14.9 mil or 61.6% of FY17 group net profit, excluding net profit contribution from Daibochi Myanmar.



4th interim dividend: 1.30 sen
Ex Date: 27 Feb 18
Payment Date: 21 Mar 18

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

FY2018 OUTLOOK

- **Malaysia plant**
 - Expecting new export contracts to Indonesia and the ANZ region
 - Exploring additional cost-saving initiatives through automation and streamlining manufacturing processes
- **Myanmar plant**
 - Pursuing new customers in Myanmar's F&B and FMCG sectors
 - Leveraging low-cost and geographical advantage to secure export contracts from cost-sensitive customers across SEA
 - Seeking to enter qualification with MNCs to support their regional expansion programmes
 - 5-year income tax waiver from November 2017 to enhance earnings

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 (26.01.18): RM2.24, NTA (31.12.17): RM0.51/share
Share Capital: RM164.2 mil (327.3 mil shares)

Market Capitalisation	RM733.2 mil
Trailing PE Ratio	28.2x
Dividend Yield (FY2017)	2.0%
P/NTA	4.4x
Return on Avg. Shareholders' Equity*	13.3%
Return on Avg. Assets*	7.7%

*Based on net profit for the trailing twelve months

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