

26 February 2021

TomyPak Holdings Berhad Outlook Still Tough

FY20 CNP of RM0.1m is below our RM2m estimate on weaker-than-expected topline and EBIT margin. No dividends declared, as expected. Lower FY21E CNP to RM2.3m (from RM3.3m) and introduce FY22E CNP of RM4.3m on gradual improvements to topline and cost management efforts. Maintain UNDERPERFORM with the same TP of RM0.415 on FY21E BVPS of RM0.44 based on -1.5SD.

Below expectations. FY20 CNP came in below our expectations at RM0.1m vs. our estimate of RM2.0m as we had expected a gradual recovery given the previous two profitable quarters. Topline came in at 94% but the deviation from our estimate was worsened by weak EBIT margin of 1% (vs. our expectation of 3.5%), likely due to higher resin cost and slower-than-expected recovery.

Results' highlight. YoY, FY20 CNP of RM0.1m is still an improvement from a CNL of RM13.4m. Even though topline was down by 2.7%, EBIT turned profitable due to better cost management efforts, while the Group continued to improve the management of operating overheads and lower finance cost (-43%). QoQ, topline was flat but operating profit was lower (-76%) likely due to higher resin cost resulted in CNL of RM0.2m (vs. CNP of RM0.8m).

Outlook. The Group has installed most of the major equipment in its new Senai factory. TOMYPAK's total capacity is currently at c.40,000MT/year after investing a total capital expenditure of RM166m for the new Senai factory. Going forward, we do not expect any new capacity expansion until FY21 as we believe the Group's focus will be on ramping up sales and utilisation rates by securing new local and international customers and developing new products.

Lower FY21E earnings by 30% to RM2.3m (from RM3.3m) and introduce FY22E CNP of RM4.3m which is premised on gradual improvements to the Group's intensified efforts to manage cost and ramp up on sales via new local and international customers. No dividends expected for now.

Maintain UNDERPERFORM with an unchanged Target Price of RM0.415. We maintain our TP of RM0.415 by applying PBV of 0.94x @-1.5SD to 5-year historical average on FY21E BVPS of RM0.44. We are comfortable with the conservative valuations for now as we remain cautiously optimistic about the prospects of the Group, but we may look to adjust our valuation method to PER from PBV on consistent earning deliveries and margin improvements.

Risks to our call include: (i) lower-than-expected resin cost, (ii) better product demand, (iii) stronger-than-expected product margins, and (iv) foreign-currency risk from weakening Ringgit.

UNDERPERFORM ↔

Price: RM0.710

Target Price: RM0.415 ↔

Expected Capital Gain: -0.295 -41.5%
Expected Divd. Yield: 0.000 0.0%
Expected Total Return: -0.295 -41.5%

KLCI Index 1581.54

Stock Information

Bloomberg Ticker	TOMY MK Equity
Bursa Code	7285
Listing Market	Main / ACE Market
Shariah Compliant	Yes
Shares Outstanding	430.6
Market Cap (RM m)	305.7
Par value per share (RM)	0.50
52-week range (H)	0.95
52-week range (L)	0.30
Free Float	51%
Beta	1.2
3-mth avg daily vol:	2,431,778

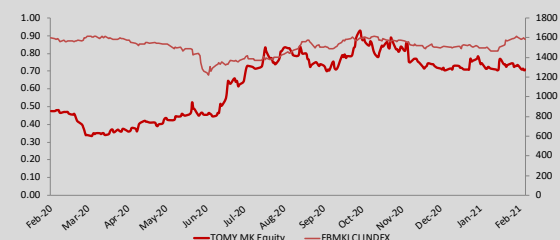
Major Shareholders

NEW ORIENT RESOURCES	23.1%
Lim Hun Swee	20.7%
ZALARAZ SDN BHD	5.1%

Summary Earnings Table

FY Dec (RM m)	2020A	2021E	2022E
Turnover	153.7	173.3	179.8
EBIT	1.5	6.0	7.9
PBT	(0.5)	2.2	4.1
Net Profit/(Loss)	(0.6)	2.3	4.3
Core PATAMI/(LATAMI)	0.1	2.3	4.3
Consensus	n.m.	n.m.	n.m.
Earnings Revision	n.m.	-30%	n.m.
Core FD EPS/LPS (sen)	0.0	0.5	1.0
Core FD EPS growth (%)	n.m.	n.m.	85%
NDPS (sen)	0.0	0.0	0.0
FD NTA per Share (RM)	0.43	0.44	0.45
Price to FD NTA (x)	1.6	1.6	1.6
Core FD PER (x)	57.6	130.8	70.7
Debt-to-Equity ratio (x)	0.3	0.3	0.3
Return on Asset (%)	0.0	0.7	1.4
Return on Equity (%)	0.0	1.3	2.3
Net Div. Yield (%)	0.0	0.0	0.0

Share Price Performance



	1 mth	3 mths	12 mths
Absolute (%)	-1.4%	-17.5%	48.4%
Relative (%)	-7.9%	-20.6%	49.2%

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OTHER POINTS**Results Highlights**

FYE Dec (RM m)	4Q20	3Q20	QoQ	4Q19	YoY	FY20	FY19	YoY-Ytd
Revenue	36.8	37.0	0%	44.1	-16%	153.7	158.1	-2.7%
Operating Profit	0.5	2.2	-76%	0.5	8%	1.5	-7.6	-120%
Finance Income	0.0	0.0	-50%	0.0	-84%	0.0	0.1	-44%
Finance Cost	-0.3	-0.4	28%	-0.8	-64%	-2.0	-3.4	-43%
Other Expense	0.0	0.0	n.a.	0.0	n.a.	-0.1	-0.9	-87%
Pretax Profit	0.3	1.8	86%	-0.3	-194%	-0.5	-11.8	-96%
Income Tax Expense	-0.1	0.0	1600%	0.0	1175%	-0.1	0.0	400%
Minority Interest	0.0	0.0	71%	0.0	-4900%	-0.1	0.02	-607%
Net Profit	0.2	1.8	91%	-0.3	-156%	-0.6	-11.8	-95%
Core Net Profit (CNP)	-0.2	0.8	123%	-0.8	-77%	0.1	-13.4	-100%
EPS (sen)	0.00	0.41	99%	-0.06	-107%	-0.20	-2.81	-93%
Core EPS (sen)	-0.04	0.18	123%	-0.18	-77%	0.01	-3.20	-100%
NDPS (sen)	0.00	0.00	n.a.	0.00	n.a.	0.00	0.00	n.a.
Operating Margins %	1.4%	5.8%		1.1%		1.0%	-4.8%	
CNP Margins %	-0.5%	2.1%		-1.7%		0.0%	-8.5%	
Effective Tax Rate %	-20.4%	-0.2%		1.5%		12.4%	0.1%	

Source: Company

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Peer Comparison

Name	Last Price	Market	Shariah	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div.Yld. (%)	Target	Rating
	(RM)	Cap (RM'm)	Compliant	FYE	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	Price (RM)	
STOCKS UNDER COVERAGE																	
SCGM BHD	1.87	358.1	Y	04/2021	16.0%	13.3%	101.7%	21.2%	20.8	10.4	8.5	2.1	1.9	19.5%	3.7%	3.85	OP
SCIENTEX BHD	4.12	6,388.4	Y	07/2021	14.9%	0.8%	11.6%	5.1%	15.7	14.1	13.4	2.7	2.2	17.3%	2.1%	3.78	MP
SLP RESOURCES BHD	0.890	282.1	Y	12/2021	22.3%	11.7%	21.6%	9.6%	17.1	14.4	13.1	1.4	1.3	9.7%	6.2%	0.950	MP
THONG GUAN INDUSTRIES BHD	2.27	862.8	Y	12/2021	12.8%	8.6%	10.5%	8.5%	10.9	9.9	9.1	1.4	1.2	13.0%	2.0%	3.00	OP
TOMYPAK HOLDINGS BHD	0.710	305.7	Y	12/2021	12.8%	3.8%	2200.0%	87.0%	N/A	142.0	71.0	1.7	1.6	1.1%	0.0%	0.415	UP
Simple Average					15.8%	7.7%	469.1%	26.3%	16.1	38.1	23.0	1.8	1.7	12.1%	2.8%		

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

**** The Expected Total Return might contain rounding discrepancy.**

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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