

01 December 2021

TomyPak Holdings Berhad 9MFY21 Below Expectation

9MFY21 CNL of RM1.6m came below our full-year expectation of a CNP of RM5.9m. The loss-making 3QFY21 was due to lower sales volume, caused by the 60% workforce limit and production disruption. No dividend was declared, as expected. We remain cautious on TomyPak's profitability as it continues to struggle in weathering the rising resin costs and elevated freight costs. We decreased FY21E/FY22E earnings by 106%/51% to -RM0.4m/RM3m, forecasting a loss-making FY21. We downgraded it to **UNDERPERFORM** with lower TP of RM0.485 based on FY22E BVPS of 44 sen at 1.1x PBV, at -1.0SD below 5-year mean.

Below our expectation. 3QFY21 core net loss (CNL) of RM5.9m brought 9MFY21 CNL of RM1.6m, far below our expectation of a full-year profit of RM5.9m. The results mainly came in lower than expected due to lower revenue and higher production costs. No dividends, as expected.

YoY, 9MFY21 revenue rose 7% to RM125m driven by higher sales volume from the its local and international customers. Despite the increase in revenue, TOMYPAK recorded an operating loss of RM2.2m due to higher raw material and freight costs. Taking into account non-core items, TOMYPAK recorded a CNL of RM1.6m vs. RM0.3m core net profit in 9MFY20.

QoQ, revenue fell by 21% due to lower output and productivity, as TOMYPAK was adversely affected by (i) the 60% workforce capacity limit, (ii) temporary production halt due to Covid-19 cases, and (iii) industry-wide labour shortage issue. As TOMYPAK could not cover its gross and operating costs, it recorded a core net loss of RM5.9m.

Outlook. After the workforce limit restriction was lifted, TOMYPAK has resumed to 100% workforce capacity in early Oct. Even with the restoration of its workforce, it is currently operating at an underwhelming utilization rate of <40% (vs 2Q21: 25%-30%). We believe that the group will continue to ramp up its utilization rates to work on its backlog orders. We continue to remain cautious on its earnings as TOMYPAK could continue slipping back into the red in 4QFY21, with resin costs having risen c.20-24% since July. With thin margins, TOMYPAK is also less able to weather the elevated freight costs compared to its peers.

Decrease FY21E/FY22E estimates. We decrease FY21E revenue/CNP by 7%/106% to RM165m/-RM0.4m and FY22E revenue/CNP by 8%/51% to RM172.8m/RM3m as we adjust for: (i) lower sales and earnings in 3QFY21, (ii) higher-than-expected COGS and OPEX for TOMYPAK, and (iii) slower-than-expected recovery in FY22.

Downgraded to UNDERPERFORM with lower TP of RM0.485 (from RM0.516) by applying PBV of 1.1x @-1SD to 5-year mean based on a decreased FY22E BVPS of RM0.44. We continue to use BVPS as our valuation basis as TOMYPAK seems unable to sustain its profitability. We continue to maintain our below-average valuation to reflect its lower utilization rate compared to its peers and dim prospects ahead.

UNDERPERFORM ↓

Price: **RM0.535**

Target Price: **RM0.485** ↓

Expected Capital Gain: -0.050 -9.3%
Expected Divd. Yield: 0.000 0.0%
Expected Total Return: -0.050 -9.3%

KLCI Index 1513.98

Stock Information

Bloomberg Ticker	TOMY MK Equity
Bursa Code	7285
Listing Market	Main / ACE Market
Shariah Compliant	Yes
Shares Outstanding	431.1
Market Cap (RM m)	230.6
Par value per share (RM)	N.A
52-week range (H)	0.81
52-week range (L)	0.48
Free Float	40%
Beta	1.2
3-mth avg daily vol:	443,229

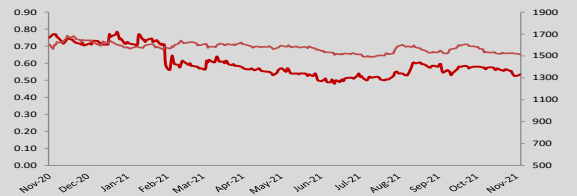
Major Shareholders

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	154.3	165.0	172.8
EBIT	1.5	1.2	4.3
PBT	-0.4	-0.4	3.0
Net Profit/(Loss)	-0.5	-0.4	3.0
Core PATAMI/(LATAMI)	0.1	-0.4	3.0
Consensus	N/A	6.3	7.8
Earnings Revision (%)	N/A	-106.0	-50.9
Core FD EPS/LPS (sen)	3.2	-8.3	69.5
Core FD EPS growth (%)	N.M.	-460.0	733.3
NDPS (sen)	0.0	0.0	0.0
FD NTA per Share (RM)	0.4	0.4	0.4
Price to FD NTA (x)	0.8	0.8	0.8
Core FD PER (x)	1699.2	N.A.	77.7
Debt-to-Equity ratio (x)	0.2	0.2	0.2
Return on Asset (%)	0.1	-0.1	1.2
Return on Equity (%)	-0.3	-0.2	1.6
Net Div. Yield (%)	0.0	0.0	0.0

Share Price Performance



	1 mth	3 mths	12 mths
Absolute (%)	-100.0%	-100.0%	-100.0%
Relative (%)	-105.7%	-100.4%	-105.3%

Lim KhaiXhiang
/ limkx@kenanga.com.my
+603-2172 2654 / +603-2172 2638

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OTHER POINTS

Results Highlights								
	3Q	1Q	QoQ	3Q	YoY	9M	9M	YoY
FYE Dec (RM m)	FY21	FY21	Chg	FY20	Chg	FY21	FY20	Chg
Revenue	34.8	43.9	-21%	37.0	-6%	125.0	116.9	7%
Operating Profit	-5.9	1.7	-435%	2.2	-371%	-2.2	1.0	117%
Finance Income	0.0	0.0	-75%	0.0	-83%	0.0	0.0	-78%
Finance Cost	-0.3	-0.3	-2%	-0.4	-20%	-0.9	-1.7	-48%
Other Expense	0.0	-0.4	-100%	0.0	N.A.	-0.4	-0.1	248%
Pretax Profit	-6.2	1.1	-688%	1.8	-445%	-3.5	-0.7	-574%
Income Tax Expense	-0.1	0.0	2400%	0.0	3233%	-0.1	0.0	1056%
Minority Interest	-0.2	0.3	-182%	0.0	-864%	0.1	0.0	400%
Net Profit	-6.3	1.0	-699%	1.8	-451%	-3.6	-0.7	-583%
Core Net Profit (CNP)	-5.9	1.4	-528%	0.8	-869%	-1.6	0.3	418%
Core EPS (sen)	-1.4	0.3	-528%	0.2	-869%	-1.0	1.0	5%
Effective tax rate (%)	-1.62	0.38		0.17		-2.99	-1.23	
Operating margin (%)	-16.85	3.98		5.85		-1.77	0.87	
PBT Margin (%)	-17.73	2.39		4.83		-2.78	-0.63	
Core Net Profit Margin (%)	-16.83	3.12		2.06		-1.30	0.27	

Source: Company, Kenanga Research

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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																	
BP PLASTIC HOLDING BHD	2.62	491.7	Y	12/2021	39.8%	10.0%	56.4%	15.0%	16.7	10.7	9.3	2.4	2.1	21.0%	4.2%	3.34	OP
SCGM BHD	2.58	496.8	Y	04/2022	18.5%	12.6%	13.5%	6.0%	14.5	12.8	12.1	2.6	2.3	19.2%	3.1%	2.97	OP
SCIENTEX BHD	4.50	6,978.0	Y	07/2022	16.5%	10.4%	13.0%	15.5%	15.7	13.9	12.0	2.4	2.2	16.4%	2.2%	4.42	MP
SLP RESOURCES BHD	0.915	290.0	Y	12/2021	15.5%	9.1%	20.5%	16.0%	18.0	15.0	12.9	1.6	1.6	10.6%	6.0%	1.18	OP
THONG GUAN INDUSTRIES BHD	2.85	1,094.6	Y	12/2021	19.6%	6.6%	25.0%	5.5%	14.2	11.4	10.9	1.6	1.5	14.2%	1.6%	3.68	OP
TOMYPAK HOLDINGS BHD	0.535	230.6	Y	12/2021	6.9%	4.7%	-460.0%	733.3%	2,306.4	N.A.	76.9	1.2	1.2	-0.2%	0.0%	0.485	MP
Simple Average					19.5%	8.9%	-55.3%	131.9%	397.6	12.8	22.3	2.0	1.8	13.5%	2.84%		

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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KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

This report is accessible at www.bursamids.com too.