Techbond Group

Building a Sticky Base

By Nigel Ng I nigel@kenanga.com.my

TECHBND's FY25 results met expectation despite relatively flat YoY earnings as geopolitical tensions weighed on global growth. Still, the steady performance provides a solid base for the group. Looking ahead, upstream polymer expansion, new customer wins, and a recovery in the furniture segment should drive its stronger earnings trajectory. We maintain our forecasts but raise our TP by 7% to RM0.47 (from RM0.44) after rolling forward valuation to FY27F. Recent price weakness is an accumulation opportunity with the stock trading below 2SD of its 5-year historical FY25F PER mean. Maintain OUTPERFORM.

Within expectation. TECHBND's FY25 core net profit of RM17m met our full-year forecast.

YoY, its FY25 core net profit was largely flat as steady demand for its core adhesive and sealant products (95% of sales) and a stable cost structure provided a solid base for TECHBND.

QoQ, its 4QFY25 revenue declined 9% on weaker contributions from the chemical segment, impacted by the Putra Heights pipeline fire. Its core net profit fell a milder 5%, partly due to higher operating costs from sourcing alternative fuel amid the gas supply disruption, cushioned by a favourable product mix as higher-margin packaging customers boosted the adhesive and sealant segment.

Outlook. TECHBND's earnings growth will be driven by: (i) increasing sales in furniture and packaging industry, (ii) synergies from MAC's integration into its existing operations, both in terms of cost and the cross-selling of MAC's products to its wider client network, and (iii) better utilisation rate at its upstream polymerisation plant.

TECHBND has started supplying polymer (raw material of adhesive) to external customers while actively pursuing more clients. Previously, its polymer output was consumed internally. TECHBND strategically targets manufacturers of technical adhesive products, which allows the company to carve out a niche in the market, unlike many manufacturers in China whose focus is on generic products given the lack of technical expertise that TECHBND possesses.

Forecasts. We maintain our FY26F earnings while introducing our FY27F numbers.

Valuations. We raise our TP by 7% to RM0.47 (from RM0.44) based on 13.5x fully-diluted FY27F EPS of 3.5 sen, in-line with the forward PER of international peers such as H.B. Fuller Co, Henkel AG & Co and 3M Co. While the group is much smaller than benchmarked peers, we believe its PER valuation is justified given the specialised nature of its business and exposure to niche markets that have less competition. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (Page 4).

Investment case. We continue to like TECHBOND for: (i) customer-centric, solution-provider and manufacturer model, (ii) strong customer base across both consumer and woodworking sectors, and (iii) its growing presence in upstream and midstream operations through MAC. Maintain OUTPERFORM.

Key risks to our call include: (i) an extended downturn in the furniture sector, (ii) unfavourable foreign exchange movements, and (iii) lower-than-expected production levels from both the core group and MAC.

OUTPERFORM ↔

Price :	**RM0.31**
Target Price :	**RM0.47 ↑**

Share Price Performance

KLCI	1,592.87
YTD KLCI chg	-3.0%
YTD stock price chg	-19.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	TECHBND MK Equity
Market Cap (RM m)	235.2
Shares Outstanding	758.7
52-week range (H)	0.47
52-week range (L)	0.27
3-mthavg. daily vol.	42,845
Free Float	31%
Beta	1.0

Major Shareholders

Sonicbond Sdn Bhd	47.4%
PPB Group Bhd	15.4%
Ching Hean Chong	1.3%

Summary Earnings Table

FY Jun (RM m)	2025A	2026F	2027F
Turnover	146.5	173.1	179.5
EBIT	17.3	28.9	30.7
PBT	19.6	29.5	31.3
Net Profit	**15.9**	**22.4**	**23.8**
Core Net Profit	**16.9**	**22.4**	**23.8**
Consensus (NP)	-	-	-
Earnings Revision (%)	-	-	NEW
Core EPS (sen)	2.4	3.2	3.4
Core EPS Growth (%)	-0.1	32.8	6.1
NDPS (sen)	1.0	1.3	1.3
BVPS (RM)	0.3	0.3	0.4
PER (x)	12.7	9.6	9.0
PBV (x)	1.0	0.9	0.8
Net Gearing (x)	(0.2)	(0.3)	(0.3)
Net Div. Yield (%)	3.2	4.0	4.0

Results Highlights

FYE Jun (RMm)	4Q FY25	3Q FY24	QoQ Chg	4Q FY24	YoY Chg	FY25	FY24	YoY Chg
Revenue	34.1	37.6	-9%	38.5	-12%	146.5	151.1	-3%
Cost of sales	-25.3	-27.3	-7%	-27.6	-8%	-107.4	-110.7	-3%
Gross Profit	**8.7**	**10.3**	**-15%**	**10.9**	**-20%**	**39.1**	**40.4**	**-3%**
Other income	0.5	0.2	88%	0.9	-48%	3.9	2.1	83%
Administration expenses	-3.8	-3.8	-1%	-3.6	7%	-15.1	-14.4	5%
Distribution expenses	-1.3	-1.5	-13%	-1.2	9%	-5.7	-5.7	0%
Other expenses	-1.3	-0.2	590%	-1.1	28%	-4.9	-2.5	94%
Operating Profit	**2.7**	**5.0**	**-46%**	**5.9**	-55%	**17.3**	**20.0**	**-13%**
Finance income	0.9	0.6	47%	0.1	540%	2.5	1.1	134%
Finance cost	0.0	0.0	127%	-0.1	-71%	-0.2	-0.6	-72%
Profit before tax	**3.6**	**5.6**	**-36%**	**6.0**	-40%	**19.6**	**20.4**	**-4%**
Tax expense	-0.6	-1.2	-51%	-1.1	-45%	-3.8	-4.0	-5%
Net Profit	**3.0**	**4.4**	**-32%**	**4.9**	-39%	**15.9**	**16.4**	**-3%**
Core Net Profit	**4.3**	**4.5**	**-5%**	**4.3**	0%	**16.9**	**16.9**	**0%**
GP margin	26%	27%		28%		27%	27%	
EBIT margin	8%	13%		15%		12%	13%	
PBT margin	11%	15%		16%		13%	13%	
Net profit margin	9%	12%		13%		11%	11%	
Core net profit margin	13%	12%		11%		12%	11%	
Effective tax rate	16%	21%		18%		19%	20%	

Source: Bursa, Company, Kenanga Research

Segmental Breakdown

FYE Jun (RM m)	4Q	3Q	QoQ	4Q	YoY			YoY
Revenue	**FY25**	**FY24**	**Chg**	**FY24**	**Chg**	**FY25**	**FY24**	**Chg**
Adhesives and sealants	32.5	35.5	-8%	36.0	-10%	138.6	142.3	-3%
Supporting products & services	1.5	2.0	-28%	2.3	-36%	7.4	8.2	-10%
Others	0.1	0.1	-3%	5.0	-97%	0.6	0.6	-6%
Total	**34.1**	**37.6**	**-9%**	**38.5**	**-12%**	**146.5**	**151.1**	**-3%**
Profit Before Tax								
Adhesives and sealants	3.5	5.3	-35%	5.8	-40%	18.7	19.6	-4%
Supporting products & services	0.1	0.2	-46%	0.2	-52%	0.6	0.6	-3%
Others	0.1	0.1	-55%	0.0	57%	0.3	0.1	103%
Total	**3.6**	**5.6**	**-36%**	**6.0**	**-40%**	**19.6**	**20.4**	**-4%**

Source: Bursa, Company, Kenanga Research

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RMm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net. Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
ANCOMNYLEX BHD	OP	0.915	1.20	31.1%	994.2	Y	05/2026	8.8	9.6	49.8%	11.5%	10.4	9.5	1.3	13.9%	5.0	5.5%
BM GREENTECH BHD	UP	1.77	1.72	-2.8%	1,217.4	Y	03/2026	11.3	12.2	11.5%	7.5%	15.6	14.5	3.4	22.5%	1.8	1.0%
BP PLASTICS HOLDINGS BHD	MP	0.840	0.870	3.6%	236.4	Y	12/2025	10.9	12.0	18.3%	9.4%	7.7	7.0	0.8	11.2%	4.5	5.4%
HPP HOLDINGS BHD	MP	0.295	0.300	1.7%	114.7	Y	05/2026	2.0	2.3	146.9%	12.7%	14.5	12.9	0.9	6.3%	1.5	5.1%
KUMPULAN PERANGSANG SELANGOR BHD	UP	0.600	0.480	-20.0%	322.4	Y	12/2025	4.4	4.8	143.9%	8.4%	13.5	12.4	0.3	2.2%	2.0	3.3%
SCIENTEX BHD	MP	3.21	3.60	12.1%	4,995.6	Y	07/2025	31.5	33.4	-9.2%	6.0%	10.2	9.6	1.2	11.7%	11.0	3.4%
SLP RESOURCES BHD	MP	0.870	0.887	2.0%	275.8	Y	12/2025	3.5	4.6	-20.5%	31.2%	24.7	18.9	1.5	6.0%	4.3	4.9%
TECHBOND GROUP BHD	OP	0.310	0.470	51.6%	235.2	Y	06/2026	4.1	4.5	37.5%	9.1%	7.5	6.9	0.8	12.0%	1.3	4.0%
THONG GUAN INDUSTRIES BHD	OP	1.12	1.44	28.6%	449.7	Y	12/2025	17.4	20.2	3.9%	16.2%	6.5	5.6	0.4	7.1%	6.0	5.4%
Sector Aggregate					**8,841.4**					**11.3%**	**8.4%**	**10.9**	**10.1**	**1.1**	**9.9%**		**4.2%**

Source: Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	☆		
	Community Investment	★	★	☆		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	☆		
	Emissions Management	★	★	★		
SPECIFIC	Product Quality & Safety	★	★	★	☆	
	Effluent/Waste Management	★	★	★		
	Digitalisation & Innovation	★	★	☆		
	Material/Resource Management	★	★	★	☆	
	Supply Chain Management	★	★	★		
	Energy Efficiency	★	★	★		
	OVERALL	★	★	★		

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

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%

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