

12 February 2026

Techbond Group

Margins Trend Sustained

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TECHBND's 2QFY26 results were slightly below expectation, although this was owing to forex. Revenue would have been stable on a constant currency basis, as its polymer business is seeing a pick-up in new customer orders. More importantly, the margin expansion trend that Kenanga believed was sustainable remains validated this quarter, fruit of being more selective on customers, amongst others. Factoring in forex, our TP is adjusted lower to RM0.44 (based on 13.5x FY27F EPS) from RM0.47. Company also has net cash/share of 16 sen, by our count. **Maintain OUTPERFORM.**

Slightly below expectation. TECHBND's 1QFY26 profit made up 42%/43% of Kenanga and street's full-year forecast which is deemed slightly below expectation, considering we expect the effect of forex to still linger into the next quarter. The second quarter is not a typical dividends quarter.

Revenue for 2QFY26 slipped 17% amid portfolio optimization within the chemical segment. Operationally, we understand that the sales would have been stable on a YoY basis. Like-wise for 1HFY26 which saw revenue declining 13% YoY, export sales would have grown 8% in USD terms. The net profit for 1HFY26 rose to RM9.5m (+12% YoY). The highlight nevertheless was continued portfolio optimization, with GPM continuing its rising trend, effectively at 30%, a marginal improvement from the last quarter. Product mix improvements in packaging and polymer segments also contributed to margin.

QoQ, bottom line for 2QFY26 was stable. By sector, woodworking segment was still seeing weak demand, and it has de-risked its customer selection. In contrast, the polymer business is seeing better orders from new customers earlier secured in Vietnam and Thailand.

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, and (iii) better utilisation rate at its upstream polymerisation plant, which we note hovers around 30-40%.

Post acquisition of MAC, TECHBND now offers inner-tier adhesives for chipboard and particle board production expanding beyond its previous focus on surface-tier adhesives used in wooden joints and laminating. TECHBND started supplying polymer (raw material of adhesive) to external customers (versus previously internally consumed), coupled with actively pursuing more clients.

TECHBND strategically targets manufacturers of technical adhesive products, which allows it to carve out a niche, a differentiating factor from manufacturers in China whose focus is on generic products due to their lack of technical expertise possessed by TECHBND. New customers include those in new regions in Vietnam. Pipeline in our view looks healthy in where we learn that there are several customers at trial stages.

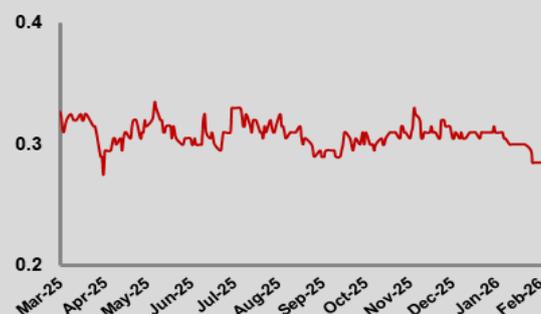
Forecasts. In the area of forex, we understand company has a natural hedge due to its USD-denominated cost. Nevertheless, given the sharp appreciation of Ringgit (Kenanga: Y/E 2026 target: 3.95), we have slightly toned down top line forecasts. Accordingly, we have reduced FY26/FY27 net profit by 7%/5%, respectively.

Valuations. Factoring in forex, our TP is adjusted lower to RM0.44 (based on 13.5x FY27F EPS) from RM0.47. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (Page 4).

OUTPERFORM ↔

Price : **RM0.31**
Target Price : **RM0.44** ↓

Share Price Performance



KLCI	1,756.39
YTD KLCI chg	4.5%
YTD stock price chg	-8.1%

Stock Information

Sariah Compliant	Yes
Bloomberg Ticker	TECHBND MK EQUITY
Market Cap (RM m)	216.2
Shares Outstanding	758.7
52-week range (H)	0.41
52-week range (L)	0.27
3-mthavg. daily vol.	283,696
Free Float	28%
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	170.9	177.8
EBIT	17.3	26.7	29.0
PBT	19.6	27.3	29.6
Net Profit	15.9	20.8	22.5
Core Net Profit	16.9	20.8	22.5
Consensus (NP)	-	21.9	23.5
Earnings Revision (%)	-	-7.4	-5.4
Core EPS (sen)	2.4	3.0	3.3
Core EPS Growth (%)	-0.1	23.0	8.3
NDPS (sen)	1.0	1.3	1.3
BVPS (RM)	0.3	0.3	0.4
PER (x)	11.7	9.5	8.8
PBV (x)	0.9	0.8	0.7
Net Gearing (x)	(0.2)	(0.3)	(0.3)
Net Div. Yield (%)	3.5	4.4	4.4

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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.

Results Highlights

	2Q26	1Q26	QoQ	2Q25	YoY	1H26	1H25	YoY
FYE Jun (RM m)	FY26	FY25	Chg	FY25	Chg	FY26	FY25	Chg
Revenue	31.8	32.9	-3%	38.4	-17%	64.7	74.8	-13%
Cost of sales	-22.1	-23.5	-6%	-28.1	-21%	-45.6	-54.7	-17%
Gross Profit	9.7	9.4	3%	10.3	-5%	19.2	20.1	-5%
Other income	0.6	0.6	-4%	2.9	-80%	1.2	3.2	-62%
Administration expenses	-4.0	-3.7	6%	-4.0	0%	-7.7	-7.4	4%
Distribution expenses	-1.2	-1.2	-1%	-1.4	-11%	-2.5	-2.8	-12%
Other expenses	-0.4	-0.4	-3%	-0.9	-54%	-0.8	-3.4	-76%
Operating Profit	4.7	4.6	2%	6.9	-32%	9.3	9.6	-3%
Finance income	1.1	1.2	-5%	0.6	87%	2.3	0.9	145%
Finance cost	-0.1	-0.1	97%	-0.1	88%	-0.2	-0.1	25%
Profit before tax	5.7	5.7	-1%	7.5	-24%	11.4	10.4	10%
Tax expense	-1.0	-0.9	10%	-1.1	-5%	-2.0	-2.0	1%
Net Profit	4.7	4.8	-3%	6.4	-27%	9.5	8.5	12%
Core Net Profit	4.7	4.7	-2%	3.9	20%	9.4	8.0	17%
GP margin	31%	29%		27%		30%	27%	
EBIT margin	15%	14%		18%		14%	13%	
PBT margin	18%	17%		19%		18%	14%	
Net profit margin	15%	15%		17%		15%	11%	
Core net profit margin	15%	14%		10%		15%	11%	
Effective tax rate	18%	16%		15%		17%	19%	

Source: Bursa, Company, Kenanga Research

Segmental Breakdown

FYE Jun (RM m)	2Q26	1Q26	QoQ	2Q25	YoY	1H26	1H25	YoY
Revenue	FY26	FY25	Chg	FY25	Chg	FY26	FY25	Chg
Adhesives and sealants	29.6	31.1	-5%	36.1	-18%	60.7	70.6	-14%
Supporting products & services	2.1	1.7	22%	2.1	-2%	3.7	3.9	-3%
Others	0.1	0.1	-1%	5.0	-97%	0.3	0.3	-5%
Total	31.8	32.9	-3%	38.4	-17%	64.7	74.8	-13%
Profit Before Tax								
Adhesives and sealants	5.6	5.6	1%	7.1	-21%	11.2	10.0	13%
Supporting products & services	0.0	0.1	-96%	0.3	-99%	0.1	0.4	-69%
Others	0.1	0.1	20%	0.1	7%	0.1	0.1	35%
Total	5.7	5.7	-1%	7.5	-24%	11.4	10.4	10%

Source: Bursa, Company, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. 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	0.905	1.20	32.6%	966.1	Y	05/2026	8.8	9.6	49.8%	11.5%	10.3	9.4	1.3	13.9%	5.0	5.5%
BM GREENTECH BHD	UP	1.44	1.72	19.4%	990.4	Y	03/2026	11.3	12.2	11.5%	7.5%	12.7	11.8	2.8	22.5%	1.8	1.3%
BP PLASTICS HOLDINGS BHD	MP	0.620	0.630	1.6%	174.5	Y	12/2025	3.4	7.9	-63.5%	133.7%	18.4	7.9	0.6	3.5%	2.0	3.2%
HPP HOLDINGS BHD	MP	0.315	0.300	-4.8%	122.4	Y	05/2026	2.0	2.3	146.9%	12.7%	15.5	13.7	1.0	6.3%	2.0	6.3%
KUMPULAN PERANGSANG SELANGOR BHD	UP	0.605	0.480	-20.7%	325.1	Y	12/2025	4.4	4.8	143.9%	8.4%	13.6	12.6	0.3	2.2%	2.0	3.3%
SCIENEX BHD	MP	3.95	3.60	-8.9%	6,147.3	Y	07/2026	31.5	33.4	-9.2%	6.0%	12.5	11.8	1.4	11.7%	11.0	2.8%
SLP RESOURCES BHD	MP	0.745	0.830	11.4%	236.1	Y	12/2025	3.5	4.6	-20.7%	31.5%	21.3	16.2	1.3	5.9%	4.0	5.4%
TECHBOND GROUP BHD	OP	0.285	0.440	54.4%	216.2	Y	06/2026	3.0	3.3	23.0%	8.3%	9.5	8.8	0.8	12.0%	1.0	4.4%
THONG GUAN INDUSTRIES BHD	OP	1.14	1.29	13.2%	450.6	Y	12/2025	17.4	20.2	3.9%	16.2%	6.6	5.7	0.5	7.1%	6.0	5.3%
Sector Aggregate					9,628.8					8.4%	9.8%	12.2	11.1	1.2	9.6%		4.1%

Source: Kenanga Research

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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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