

22 May 2026

# Techbond Group

## Margins Under Watch

By Tan Sue Wen, [Tansw@kenanga.com.my](mailto:Tansw@kenanga.com.my)

TECHBND's 3QFY26 results came in below expectations, with CNP of RM4.4m affected by softer revenue and a slower-than-expected recovery in the chemical segment. Revenue declined, mainly due to: (i) Ringgit strength against USD/VND, (ii) fewer working days during the festive season, and (iii) continued product mix realignment. We expect 4QFY26 earnings to improve sequentially, supported by stockpiling demand, post-festive sales momentum and orders on hand through June. However, margin sustainability remains uncertain amid increasing competition. Earnings forecasts are cut by 8.3%/8.0% for FY26F/FY27F after lowering margin assumptions for the Adhesives, Sealants and Chemicals segment. TP is reduced to RM0.34 (from RM0.44), based on 11x FY27F EPS. Maintain OUTPERFORM.

**Below expectations.** After adjusting for FV gain (-RM0.8m), net forex gain (+RM0.1m), and inventory write-down (+RM0.7m), TECHBND's 3QFY26 core net profit (CNP) came in at RM4.4m, bringing 9MFY26 CNP to RM14.3m. This accounted for 68.8% of our full-year forecast and 68.4% of consensus, below expectations. The shortfall was mainly due to weaker-than-expected earnings contribution from the Adhesives, Sealants and Chemicals segment. No dividend was declared.

**QoQ.** CNP declined 16.8% to RM4.4m, mainly dragged by: (i) lower production volume due to fewer working days during the festive season, and (ii) ongoing product mix realignment in the chemical segment as the Group continued to rationalise lower-margin products. This was reflected in weaker segmental PBT from the adhesives, sealants and chemicals segment. Finance costs also jumped 47.5%, likely due to higher short-term borrowings to support working capital requirements. As a result, CNP margin narrowed 2.3 ppts to 14.1% (2QFY26: 16.4%).

**YoY.** CNP increased 4.2% to RM4.4m, despite revenue declining 18.2% to RM30.8m. The top-line contraction was mainly due to: (i) a stronger Ringgit against USD and VND (7% negative impact), (ii) fewer working days during the festive season, and (iii) product mix realignment in the chemical segment as the Group rationalised lower-margin products. Despite lower revenue, earnings were supported by higher finance income (+110.7%) and a lower effective tax rate of 14.8% (3QFY25: 21.4%), mainly due to tax exemption granted to its Vietnam subsidiary.

**Outlook.** We expect 4QFY26 earnings to show stronger sequential improvement, driven by: (i) stockpiling effects, and (ii) resumption of post-festive sales momentum. Due to the US-Iran war, customers are placing higher order volumes to secure supply continuity, with current orders on hand lasting until June. Margins should remain supported by earlier stockpile inventory (which could last 3-9 months) and continued portfolio optimisation. Packaging remains the Group's key growth focus, with active customer expansion and trial conversions driving the next leg of growth.

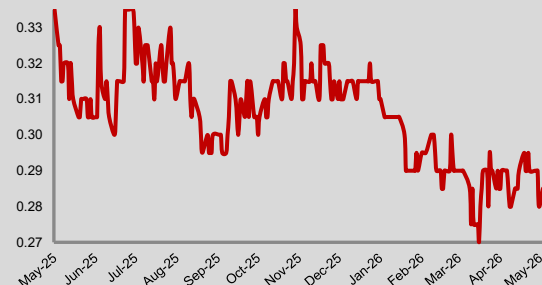
**Forecasts.** Earnings forecasts are lowered by 8.3%/8.0% for FY26F/FY27F, respectively, after reducing margin assumptions for the Adhesives, Sealants and Chemicals segment. This reflects weaker quarterly performance and a longer-than-expected recovery timeline for the chemical segment.

**Valuations.** TP is adjusted lower to **RM0.34** from RM0.44, based on 11x FY27F EPS vs 13.5x previously. While near-term earnings should improve sequentially, the lower PER multiple reflects a slower chemical recovery and uncertainty over margin sustainability amid increasingly

# OUTPERFORM ↔

Price : **RM0.28**  
Target Price : **RM0.34** ↓

### Share Price Performance



KLCI 1,708.36  
YTD KLCI chg 1.7%  
YTD stock price chg -11.3%

### Stock Information

Shariah Compliant Yes  
Bloomberg Ticker TECHBND MK Equity  
Market Cap (RM m) 208.6  
Shares Outstanding 758.7  
52-week range (H) 0.33  
52-week range (L) 0.27  
3-mthavg. daily vol. 339,145  
Free Float 27%  
Beta 0.89

### Major Shareholders

Sonicbond Sdn Bhd 48.2%  
PPB Group Bhd 15.4%  
Ching Hean Chong 1.5%

### Summary Earnings Table

FY Jun (RM m)	2025A	2026F	2027F
Turnover	146.5	166.2	175.0
EBIT	17.3	24.5	26.6
PBT	19.6	25.1	27.2
<b>Net Profit</b>	<b>15.9</b>	<b>19.1</b>	<b>20.7</b>
<b>Core Net Profit</b>	<b>17.1</b>	<b>19.1</b>	<b>20.7</b>
Consensus (NP)		20.9	21.8
Earnings Revision (%)		-8.3%	-8.0%
Core EPS (sen)	2.5	2.8	3.0
Core EPS Growth (%)	1.2	11.5	8.4
NDPS (sen)	1.0	1.3	1.3
BVPS (RM)	0.3	0.3	0.4
PER (x)	11.3	10.2	9.4
PBV (x)	0.9	0.8	0.7
Net Gearing (x)	(0.2)	(0.3)	(0.3)
Net Div. Yield (%)	3.6	4.5	4.5

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intense price 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.

### Results Highlights

	3Q26	2Q26	QoQ	3Q25	YoY	9M26	9M25	YoY
<b>FYE Jun (RM m)</b>	30.8	31.8	-3.3%	37.6	-18.2%	95.5	112.4	-15.1%
Revenue	-22.3	-22.1	0.8%	-27.3	-18.5%	-67.8	-82.0	-17.3%
Cost of sales	<b>8.5</b>	<b>9.7</b>	<b>-12.6%</b>	<b>10.3</b>	<b>-17.5%</b>	<b>27.7</b>	<b>30.4</b>	<b>-9.0%</b>
<b>Gross Profit</b>	0.5	0.6	-20.2%	0.2	89.0%	1.7	3.4	-51.2%
Other income	-4.0	-4.0	1.3%	-3.8	4.7%	-11.7	-11.2	4.3%
Administration expenses	-1.1	-1.2	-7.6%	-1.5	-24.7%	-3.6	-4.3	-16.2%
Distribution expenses	-0.1	-0.4	-64.3%	-0.2	-27.2%	-1.0	-3.6	-73.5%
Other expenses	<b>3.7</b>	<b>4.7</b>	<b>-22.2%</b>	<b>5.0</b>	<b>-26.7%</b>	<b>13.0</b>	<b>14.6</b>	<b>-11.1%</b>
<b>Operating Profit</b>	1.3	1.1	18.7%	0.6	110.7%	3.6	1.6	131.2%
Finance income	-0.2	-0.1	47.5%	0.0	1536.4%	-0.4	-0.2	130.4%
Finance cost	<b>4.8</b>	<b>5.7</b>	<b>-15.7%</b>	<b>5.6</b>	<b>-14.4%</b>	<b>16.3</b>	<b>16.0</b>	<b>1.4%</b>
<b>Profit before tax</b>	-0.7	-1.0	-31.3%	-1.2	-40.8%	-2.7	-3.2	-15.1%
Tax expense	<b>4.1</b>	<b>4.7</b>	<b>-12.2%</b>	<b>4.4</b>	<b>-7.2%</b>	<b>13.6</b>	<b>12.9</b>	<b>5.4%</b>
<b>Net Profit</b>	<b>4.4</b>	<b>5.2</b>	<b>-16.8%</b>	<b>4.2</b>	<b>2.9%</b>	<b>14.3</b>	<b>12.8</b>	<b>11.7%</b>
<b>Core Net Profit</b>	<b>3Q26</b>	<b>2Q26</b>	<b>QoQ</b>	<b>3Q25</b>	<b>YoY</b>	<b>9M26</b>	<b>9M25</b>	<b>YoY</b>
GP margin	27.7%	30.6%		27.4%		29.0%	27.0%	27.7%
EBIT margin	11.9%	14.8%		13.3%		13.6%	13.0%	11.9%
PBT margin	15.6%	17.9%		14.9%		17.0%	14.3%	15.6%
Net profit margin	13.3%	14.7%		11.7%		14.2%	11.4%	13.3%
Core net profit margin	14.1%	16.4%		11.2%		15.0%	11.4%	14.1%
Effective tax rate	14.8%	18.1%		21.4%		16.5%	19.8%	14.8%

Source: Bursa, Company, Kenanga Research

### Segmental Breakdown

	3Q26	2Q26	QoQ	3Q25	YoY	9M26	9M25	YoY
<b>FYE Jun (RM m)</b>								
<b>Revenue</b>	28.8	29.6	-2.8%	35.5	-18.7%	89.5	106.1	-15.6%
Adhesives and sealants	1.8	2.1	-10.3%	2.0	-9.3%	5.6	5.9	-5.4%
Supporting products & services	0.1	0.1	-4.4%	0.1	-10.9%	0.4	0.4	-7.3%
Others	<b>30.8</b>	<b>31.8</b>	<b>-3.3%</b>	<b>37.6</b>	<b>-18.2%</b>	<b>95.5</b>	<b>112.4</b>	<b>-15.1%</b>
<b>Total</b>								
<b>Profit Before Tax</b>								
Adhesives and sealants	4.5	5.6	-19.8%	5.3	-15.2%	15.7	15.3	2.9%
Supporting products & services	0.2	0.0	5700.0%	0.2	38.9%	0.3	0.5	-35.6%
Others	0.1	0.1	-6.6%	0.1	-53.3%	0.2	0.2	-17.6%
<b>Total</b>	<b>4.8</b>	<b>5.7</b>	<b>-15.7%</b>	<b>5.6</b>	<b>-14.4%</b>	<b>16.3</b>	<b>16.0</b>	<b>1.4%</b>

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. (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.
<b>Stocks Under Coverage</b>																	
ANCOM NYLEX BHD	OP	0.875	1.50	71.4%	930.5	Y	05/2026	7.7	9.4	20.0%	22.9%	11.4	9.3	1.3	11.9%	5.0	5.7%
BM GREENTECH BHD	UP	1.11	1.72	55.0%	763.5	Y	03/2027	11.3	12.2	11.5%	7.5%	9.8	9.1	2.1	22.5%	1.8	1.6%
BP PLASTICS HOLDINGS BHD	MP	0.790	0.870	10.1%	222.4	Y	12/2026	9.1	8.7	100.2%	-4.5%	8.7	9.1	0.8	9.2%	4.3	5.4%
KUMPULAN PERANGSANG SELANGOR BHD	UP	0.585	0.480	-17.9%	314.4	Y	12/2026	4.4	4.8	143.9%	8.4%	13.2	12.1	0.3	2.2%	2.0	3.4%
SCIENTEX BHD	OP	3.48	3.91	12.4%	5,415.8	Y	07/2026	39.5	39.4	17.0%	-0.4%	8.8	8.8	1.1	13.4%	13.0	3.7%
SOUTHERN CABLE GROUP BHD	OP	1.96	2.68	36.7%	2,233.3	Y	12/2026	12.4	15.0	15.3%	21.7%	15.9	13.0	3.2	20.9%	3.5	1.8%
SLP RESOURCES BHD	MP	0.835	0.340	-59.3%	264.7	Y	12/2026	6.0	6.5	11.7%	8.4%	13.9	12.8	1.1	9.1%	1.3	1.5%
TECHBOND GROUP BHD	OP	0.275	0.470	70.9%	208.6	Y	06/2026	4.1	4.5	37.5%	9.1%	6.7	6.1	0.7	10.4%	1.0	3.6%
THONG GUAN INDUSTRIES BHD	OP	1.52	1.73	13.8%	594.8	Y	12/2026	26.1	22.9	45.9%	-12.3%	5.8	6.6	0.6	10.8%	6.0	3.9%
<b>SECTOR AGGREGATE</b>					<b>10,948.0</b>					<b>21.8%</b>	<b>4.2%</b>	<b>9.8</b>	<b>9.4</b>	<b>1.2</b>	<b>11.8%</b>		<b>3.4%</b>

Source: Kenanga Research

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**Stock ESG Ratings:**

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

☆ 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](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)

