

MALAYSIA EQUITY
1QFY07 Results Review

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NTPM Holdings

BUY
Price RM0.32
Target RM0.42

Share Profile/Statistics	
Bloomberg Ticker	NTPM MK
KLCI	965.23
Issued share capital (m)	624.0
Market Capitalisation (RMm)	199.68
52 week High (RM)	0.36
52 week Low (RM)	0.26
Average Volume (3m) '000	116.572
YTD Returns (%)	2.6%
5 yr Average ROE (%)	-
5 yr Average ROA (%)	-
Net gearing (x)	0.34
Altman Z-Score	2.78
ROCE/WACC	1.09
Beta (x)	0.64
Cash Ratio (x)	0.12
FCF/share (x)	0.03
P/FCF/share (x)	11.87
Book Value/share (RM)	0.23

Major Shareholders (%)	
Lee See Jin	29.3
Lee Chong Choon	10.4
Teoh Teik Lin	5.2

Share Performance				
(%)	1m	3m	6m	12m
Absolute	(1.5)	3.2	0.2	4.8
Relative	(4.5)	(3.1)	(7.0)	(3.0)

Growth Profile (%)				
	05a	06a	07f	08f
Revenue	7.5	9.5	8.9	15.4
EBITDA	85.0	7.7	11.0	11.7
PBT	(24.1)	(3.5)	30.4	17.5
NP	(26.3)	(0.4)	24.3	17.5

Margin (%)				
	05a	06a	07f	08f
EBITDA	19.9	19.6	20.0	19.3
PBT	12.3	10.8	13.0	13.2
NP	9.7	8.8	10.1	10.3

Historical Price Ratio				
(x)	03a	04a	05a	06a
P/Sales	1.1	1.0	0.9	0.8
P/Earnings	7.1	7.0	9.5	9.5
P/Book	1.4	1.4	1.3	1.1

Rolling out the goods

Above expectations. NTPM, Malaysia's biggest tissue product manufacturer reported 1QFY07 annualised net profit a whopping 32% above our expectations. Y-o-y, revenue and net profit saw growth of 19.0% and 742.5% respectively owing to a one-off tax penalty of RM1.6m incurred in the previous corresponding quarter. Excluding the penalty, net profit still grew 208%.

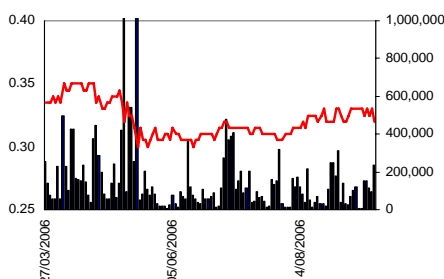
Increased capacity drives growth. We can attribute this quarter's increase in revenue to the recently installed 100 MT per day of additional capacity in September last year, bringing NTPM's current installed capacity to 91,205 MT per annum. Also, continued growth in demand for tissue products in Malaysia, Singapore and Thailand also appears to be driving sales as NTPM actively advertises its products and has much focus on branding. To note, the key brands under the Group include household names like *Premier*, *Royal Gold*, *Cutie* and *Intimate* (sanitary pads).

Operational efficiency drives margins. The key highlight of this quarter's result is the vast improvement in PBT margins from 4.3% in 1QFY06 to 14.6% in 1QFY07. The improvement has been driven by management's dedication to improve operational efficiency as well as pushing higher margin products. Not forgetting, there was a 5% increase in pricing incorporated recently to keep up with prices of pure tree pulp and transportation costs. As for q-o-q comparison, margins also saw encouraging improvement due to start-up cost of new machinery last quarter.

Increasing exports. To note, NTPM has begun sales in a major hypermarket chain in Thailand and is looking to increase advertising activities to push its brands. While exports to Thailand still take up only <5% of total revenue we see this market contributing significantly going forward.

It's a girl thing. NTPM's sanitary napkin line saw 35% growth last year and we do expect a repeat performance this year. Currently taking up 10% of revenue, this should increase to at least 15% by FYE considering new machinery recently installed and increased brand awareness.

Maintain Buy. We tweak our estimates up slightly and maintain our call on NTPM. With a single digit PE of 8.4x and no listed comparables, we have used DDM valuation to derive our fair value of RM0.42 (previously RM0.40) or potential upside of 31%. Prospective dividend yield for FYE07 is at 9.4% with a 51% payout ratio (60% in FYE06).



FYE April (RMm)	FY04	FY05	FY06	FY07f	FY08f
Revenue	201.4	216.5	237.1	258.2	297.9
Net Profit	28.5	21.0	20.9	26.0	30.5
% Change y-o-y	1.3	-26.3	-0.4	24.3	17.5
Consensus EPS	-	-	-	4.6	-
EPS (sen)	4.6	3.4	3.4	4.2	4.9
Gross DPS (sen)	2.46	2.46	2.75	3.00	3.20
Gross Div. Yield (%)	7.7	7.7	8.6	9.4	10.0
PER (x)	7.0	9.5	9.5	7.7	6.5
P/BV (x)	1.5	1.4	1.4	1.3	1.2
EV/EBITDA	6.6	7.1	6.1	5.4	4.8
ROE (%)	17.5%	15.0%	18.0%	20.6%	22.8%
ROA (%)	10.9%	9.1%	10.2%	11.7%	13.5%

Results Table (RMm)	1QFY07	1QFY06	% chg
FYE April 30			
Turnover	65.4	54.9	19.0%
EBITDA	14.1	6.8	108.9%
Depreciation	(4.0)	(3.8)	5.7%
Net interest expense	(0.6)	(0.6)	-0.8%
Associates	0.0	0.0	0.0%
PBT	9.5	2.4	299.6%
Tax	(1.7)	(1.5)	19.0%
MI	(0.0)	(0.0)	212.5%
Net Profit	7.8	0.9	742.5%
EPS (sen)	1.2	0.1	
Gross DPS (sen)	0.0	0.0	
EBITDA margin	21.6%	12.3%	
PBT margin	14.6%	4.3%	
Net Margin	11.9%	1.7%	
NTA/share (RM)	0.24	0.23	

Note : Depreciation figures based on estimates

Source: Company, OSK Research

OVERVIEW.

Top in Malaysia. NTPM is Malaysia's biggest tissue paper manufacturer with a >50% market share commanded by household brands like *Premier*, and *Cutie*. NTPM also does third party manufacturing for various exporters and generic brands. Besides local sales, the Group also derives 20% of its revenue from exports to Singapore and other countries within the Asia Pacific.

Wide range of products. Key products of the Group are toilet rolls (50% of sales), facial tissue (20% of sales), sanitary napkins (10%) and the remainder are items like packet tissues, kitchen rolls, cotton buds, facial cotton, diapers..

Industry. The tissue paper market in Malaysia is that of an oligopoly. With two main players, NTPM and Kimberly Clarke and a myriad of smallish players. Industry growth is dependant on purchasing power and increase in standards of living. If measured by tissue consumption per capita, there is evidently plenty of room for growth to be had in Asia. As a gage, Singapore has consumption of 11-12kg per capita per annum. While Malaysia is at 3-4kg's and Thailand only at 1kg. On average, the industry sees growth of about 5% yearly.

Pulp Non-Fiction. One of NTPM's key concerns is the price of its main raw material – pure tree pulp which currently fetches prices of about RM1700 per tonne. This compared to recycled pulp, which costs only RM500 per tonne inclusive of processing has eaten into margins over the past few year. Rest assured that price increases are put into place accordingly to keep up with costs.

To note, NTPM's products compete in a different segment of the market than Kimberly Clarke as they have a lower pure plup content and thus lower pricing. The ratio used is about 70:30 for recycled pulp to pure pulp. Going forward, NTPM seeks avenues to find other pulp replacements. One source that is becoming increasing popular is recycled Tetra Pack pulp which, although synthetic, has a very close feel and resemblance to pure tree pulp.

OSK Research Guide to Investment Ratings

Buy: Total return of the stock may exceed 10% OR outperform the relevant benchmark index over the next 12 months, whichever is higher

Trading Buy: Total return of the stock may exceed 10% over the next 3 months, however longer-term outlook remains uncertain

Neutral: Total return of the stock may fall within the range of +/- 10% (inclusive) over the next 12 months OR is not expected to outperform or underperform the relevant benchmark index by the same quantum over the same period

Take Profit: Target price has been attained. Look to accumulate at lower levels.

Sell: Total return of the stock may fall more than 10% OR underperform the underlying benchmark index over the next 12 months

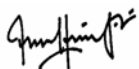
* Total Return (capital gain + dividend yield)

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