

Malaysia

HOLD (initiation)

Consensus ratings*: Buy 0 Hold 1 Sell 1

Current price:	RM0.415
Target price:	RM0.421
Previous target:	RM
Up/downside:	1.5%
CGS-CIMB / Consensus:	10.9%
Reuters:	NTPM.KL
Bloomberg:	NTPM MK
Market cap:	US\$101.1m
	RM466.1m
Average daily turnover:	US\$0.01m
	RM0.04m
Current shares o/s:	1,123m
Free float:	39.5%

*Source: Bloomberg

Key changes in this note

➤ N/A.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-4.6	-3.5	-17
Relative (%)	1.4	-1.6	-9

Major shareholders

	% held
Lee See Jin	41.4
Teoh Teik Lin and family	19.1
Wu, Kun Chin	1.9

Analyst(s)



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NTPM Holdings

Malaysia's "PREMIER" tissue player

- We initiate coverage on NTPM with a Hold call and TP of RM0.42, based on our 0.9x CY23F P/BV 1.5 s.d. below its 5-year mean.
- We believe its key appeal as a strong household brand with diverse product offerings is muted by its dim earnings prospects amid high input costs.
- We estimate FY23F core EPS to decline 26.6% yoy, though this is likely priced in, supported by decent dividend yields of 3.9% in FY24-25F.

A market leader in the tissue manufacturing space in Malaysia

Nibong Tebal Paper Mill Holdings Bhd (NTPM) is one of Malaysia's largest tissue paper players, commanding more than 50% share in Malaysia's tissue paper market by volume as at FY22, in our estimates. NTPM manufactures and distributes both tissue paper (70%/32% of FY4/22 revenue/EBIT) and personal care products (30%/68% of FY22 revenue/EBIT) through four manufacturing facilities in Malaysia (3) and Vietnam (1), with a total tissue paper production capacity of 160k tonnes p.a. (FY22 utilisation rate: 53%).

Key strengths: strong household brand, diverse product offerings

We believe that NTPM's key strengths lie in its i) dominant position as a market leader in the tissue market in Malaysia, cemented by its comprehensive product range that caters to different consumers' budgets and needs, and ii) its longstanding position and branding efforts in the country (started its "Premier" brand in 1995) which has allowed NTPM to establish strong brand awareness for its products. This should allow for some stickiness for its products, in our view.

Challenging times due to inability to fully pass on rising input costs

We project core EPS decline of 26.6% yoy in FY23F due to higher input costs. Average pulp prices for 4MFY23F (May-Aug 2022) have risen c.20% vs. FY4/22 pulp prices of US\$889/tonne, which could lead to further margin compression, as pulp and wastepaper costs accounted for c.58% of its FY22 total costs (see Fig 26). In addition, NTPM is likely to be hit by i) higher labour costs from higher minimum wage in Malaysia of RM1,500 per worker per month since May 2022, as well as ii) higher utilities (both gas and electricity) cost (7% of NTPM's total costs in FY22). We penciled in EBITDA margin decline of 2.8% pts to 10.0% in FY23F to factor in these cost increases. NTPM is likely to face limitations in fully passing on rising costs to consumers, as we opine that consumers are likely more price conscious in their purchase of its tissue paper vs. being brand conscious.

NTPM is a Hold call as challenging outlook likely priced in

Nevertheless, we believe that the share price has broadly priced in these negative prospects, as it has corrected by 45% since 1 Jan 2021. In tandem with this, we initiate coverage on NTPM with a Hold call and a target price of RM0.42. This is based on our 0.9x CY23F P/BV, which is 1.5 s.d. below its 5-year (FY17-22) historical mean. Upside/downside risks include: i) lower/higher pulp, wastepaper prices, and/or freight costs, ii) stronger/slower growth in export markets, and iii) a stronger/weaker RM/US\$.

Financial Summary	Apr-21A	Apr-22A	Apr-23F	Apr-24F	Apr-25F
Revenue (RMm)	749.7	764.9	812.1	830.7	855.6
Operating EBITDA (RMm)	126.0	98.2	81.4	85.7	87.3
Net Profit (RMm)	63.27	28.51	16.11	18.31	19.18
Core EPS (RM)	0.048	0.020	0.014	0.016	0.017
Core EPS Growth	495%	(60%)	(27%)	14%	5%
FD Core P/E (x)	8.58	21.24	28.94	25.45	24.30
DPS (RM)	0.024	0.016	0.008	0.016	0.016
Dividend Yield	5.78%	3.86%	1.93%	3.86%	3.86%
EV/EBITDA (x)	6.03	8.00	9.21	8.45	8.01
P/FCFE (x)	14.52	26.05	10.30	10.93	10.76
Net Gearing	59.6%	61.3%	53.6%	48.9%	44.0%
P/BV (x)	0.95	0.89	0.88	0.88	0.88
ROE	11.6%	4.3%	3.1%	3.5%	3.6%
% Change In Core EPS Estimates					
CGS-CIMB/Consensus EPS (x)			0.96	0.63	0.61

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Malaysia's "PREMIER" tissue player

COMPANY BACKGROUND

Brief history ➤

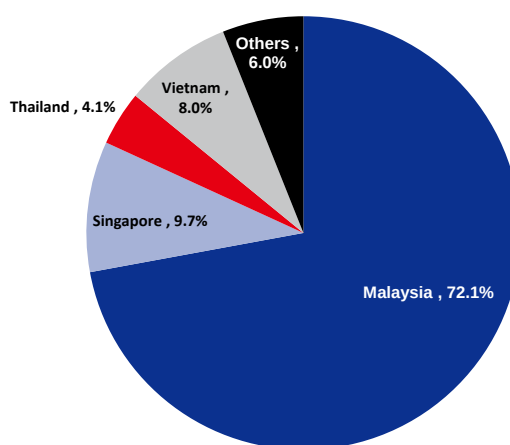
Nibong Tebal Paper Mill Holdings Bhd ("NTPM") was founded by Mr Lee See Jin in 1975. Mr Lee See Jin, in partnership with Mr Teoh Boon Beng @ Teoh Eng Kuan started the manufacturing business in 1979, initially producing and selling jumbo rolls, which is a type of semi-finished product to paper converters. Mr Lee See Jin later explored producing jumbo rolls from recycled wastepaper and invested in a paper-making machine imported from Taiwan. With that, NTPM kick-started its commercial production of paper rolls business in late-1979 with a production capacity of 5 tonnes a day.

In 1984, Mr Lee incorporated de-inking technology into NTPM's tissue paper production operation. This enabled NTPM to further venture downstream into servicing retail consumers as the de-inking system produces higher quality tissue paper made from recycled wastepaper for end-user consumption.

NTPM broadened its operations to Singapore in 1986, its first international market, under Nibong Tebal Paper Products ("NTPP").

As of 30 Apr 2022, Singapore contributes c.10% to the group's total revenue, while the main contributor is still Malaysia at c.72%.

Figure 1: Geographical breakdown of NTPM's FY22 revenue

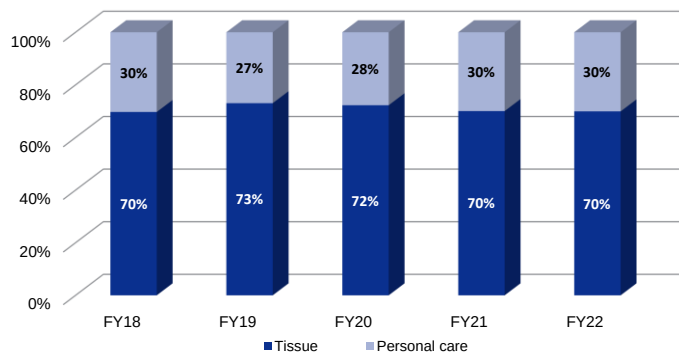


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Besides its operations in personal care and tissue paper production, NTPM also invested in its distribution channel in 1983 through Nibong Tebal Enterprise Sendirian Berhad (NTE) which helped to strengthen its presence in the domestic market. They had invested in the improvement of its upstream operations through the acquisition of a 60% stake in Jia In in 2000 to complement its paper operations by supplying tissue boxes for the packaging of its finished goods.

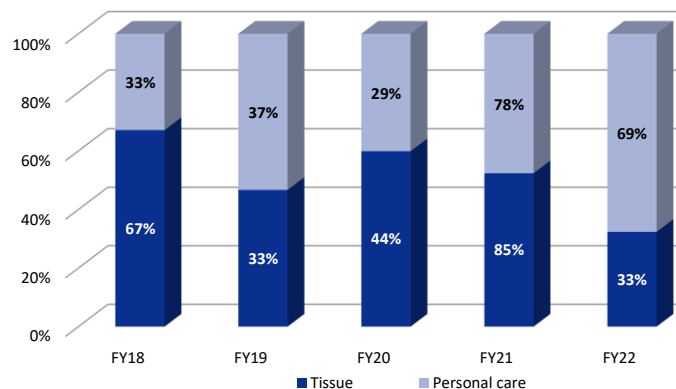
NTPM was listed on the Kuala Lumpur Stock Exchange's Main Board (now known as Bursa Malaysia) on 25 Apr 2003 at RM0.50 per share, and has not undergone any form of share issuance-related corporate exercises since then (i.e. share splits, bonus issues, placements, etc.).

Figure 2: Segmental revenue breakdown



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Segmental EBIT breakdown



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: Key milestones

Date	Milestones
1975	Started operation headquartered in Nibong Tebal, Penang
1979	Commenced commercial production of paper rolls
1983	Established in-house distribution network- NTE
1983	Discovered paper production through de-inking technology
1986	Expanded to Singapore through NTPP
1995	Improved on marketing and branded tissue products under the name "PREMIER"
2000	Acquired Jia In to complement its tissue paper production segment
2013	Invested in Vietnam tissue paper plant

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Market leader in tissue paper manufacturing in Malaysia ►

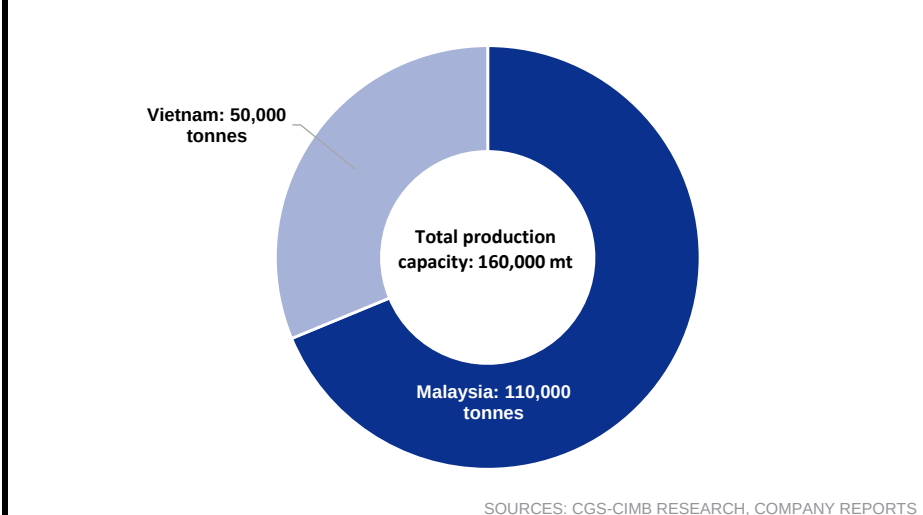
NTPM is now one of Malaysia's largest tissue paper manufacturers, commanding more than 50% of Malaysia's tissue market share by volume (based on our channel checks at retail outlets), through its annual production capacity of 110k tonnes in Malaysia alone as at end-FY22. We believe that its key strength lies in its dominant position as a market leader in the tissue market in Malaysia, cemented by its i) economies of scale through its large-scale production capabilities allowing the group to operate at relatively low production cost levels, and ii) comprehensive product range that caters to different consumer budgets and needs such as recycled and non-recycled tissue products (including toilet paper). For example, its brand "Premier", which is one of the leading facial tissue and paper towel brands in our view, caters more to the mass-market segment given its low- to mid-priced positioning while its facial tissues and toilet paper brand Royal Gold caters to relatively more affluent individuals who value premium quality. Its longstanding position and branding efforts in the country (started "Premier" in 1995, based on NTPM's prospectus) has allowed NTPM to establish strong brand awareness of its products. This should allow for some stickiness for its products, in our view.

Figure 5: Brands housed under NTPM



NTPM typically sells its tissue and personal care products to retail consumers in a wide range of retail outlets such as supermarkets, hypermarkets as well as smaller grocery outlets. On top of this, NTPM also provides hygienic products to companies and institutions including tissue products, soaps and dispensers under brands such as, “CONV”, also known as the “away-from-home” segment. This generally consists of corporates in the Hotels, Restaurants and Catering (HORECA) sector. Furthermore, the group still operates its original equipment manufacturer (OEM) business, which mainly consists of NTPM selling jumbo rolls to paper converters, although we estimate that the bulk of its sales is still generated from its consumer and away-from-home segments.

Figure 6: NTPM’s total production capacity for its tissue segment in FY22: 160k tonnes



Based on its FY22 annual report, NTPM currently has four manufacturing facilities - three in Malaysia and one in Vietnam. These four facilities have a combined annual production capacity of 160,000 tonnes (for its tissue segment) in FY22.

Strong distribution network a key advantage ➤

Another key strength for NTPM we believe lies in its extensive and established distribution network. The group currently operates 17 sales offices cum delivery centres across Malaysia (14), Singapore (1), Thailand (1) and Vietnam (1) catering to both households as well as the away-from-home market. In our view,

having a wide distribution network allows NTPM the benefit of effective inventory management, ensuring timely delivery of their products coupled with relatively lower distribution costs vs. peers that do not have this advantage.

We believe that control over the delivery of their products also boded well for them in the past two years, since the Covid-19 pandemic, as it has allowed the group to mitigate to a certain extent the widespread supply chain disruptions stemming from lack of truck drivers across multiple industries (which we gather through our channel check with local logistics players) in Malaysia owing to the Covid-19 pandemic.

NTPM's tissue products competitively priced among peers ➤

Our channel checks at three retail outlets in the Klang Valley indicate that the tissue paper and personal care products (wet wipes, baby diapers) in Malaysia, which is NTPM's key market (70% of FY22 revenue), is highly competitive, with a myriad of local and foreign brands. Based on our channel checks and pricing observations at the retail outlets, we noted that NTPM's tissue paper and personal care products are all priced at competitive price points vs. comparable products from peers (refer to Figs 7-12 below).

Figure 7: Tissue product comparison (Retail Outlet 1)

Retail Outlet 1					
Facial tissue					
Brands	Ply	Packaging	Sheets	Price (RM)	Price per 100 sheets (RM)
Royal Gold	3ply	4x120	480	14.39	3.00
Meadows Home Soft	3ply	4x100	400	11.30	2.83
Kleenex	3ply	4x100	400	10.95	2.74
Vinda	3ply	4x120	480	12.95	2.70
Nice naturale	2ply	5x70	350	8.90	2.54
Premier	2ply	4x200	800	14.50	1.81
Kitchen roll					
Brands	Ply	Packaging	Sheets	Price (RM)	Price per 100 sheets (RM)
Paseo	3	70	210	11.50	5.48
Scott	6x55		330	15.60	4.73
Vinda	6x80		480	20.90	4.35
Nice naturale	6x60		360	14.50	4.03
Royal Gold	8x60		480	17.40	3.63
Meadow	6x60		360	12.50	3.47
Premier	6x60		360	11.90	3.31
Toilet roll					
Brands	Ply	Packaging	Sheets	Price (RM)	Price per 100 sheets (RM)
Vinda	3	8x250	2000	23.30	1.17
Kleenex	3	10x190	1900	19.50	1.03
Royal Gold	3	10x240	2400	22.89	0.95
Meadows	3	10x250	2500	20.15	0.81
Cutie Compact	2	10x300	3000	16.90	0.56

Data as at 16 Sep 2022

Highlighted in orange are NTPM's brands

SOURCES: CGS-CIMB RESEARCH, VARIOUS RETAIL OUTLETS

Figure 8: Tissue product comparison (Retail Outlet 2)

Retail Outlet 2					
Facial tissue					
Brands	Ply	Packaging	Sheets	Price (RM)	Price per 100 sheets (RM)
Royal Gold	3ply	4x120	480	17.90	3.73
Nice naturale	2ply	5x70	350	10.90	3.11
Vinda	3ply	4x120	480	10.50	2.19
Premier	2ply	4x200	800	16.90	2.11
Kitchen roll					
Brands	Ply	Packaging	Sheets	Price (RM)	Price per 100 sheets (RM)
Scott	6x55		330	13.50	4.09
Vinda	6x80		480	18.90	3.94
Royal Gold	8x60		480	16.80	3.50
Toilet roll					
Brands	Ply	Packaging	Sheets	Price (RM)	Price per 100 sheets (RM)
Vinda	3	8x250	2000	23.90	1.20
Royal Gold	3	10x240	2400	22.90	0.95
Cutie Compact	2	10x300	3000	16.90	0.56

Data as at 16 Sep 2022

Highlighted in orange are NTPM's brands

SOURCES: CGS-CIMB RESEARCH, VARIOUS RETAIL OUTLETS

Note: two-ply tissue products are not directly comparable to three-ply products. Two-ply tissues generally mean that they are manufactured with two layers of tissue vs. three-ply which have three layers. Thus, three-ply generally requires more tissue and hence usually costs more to manufacture.

Figure 9: Tissue product comparison (Retail Outlet 3)

Retail Outlet 3					
Facial tissue					
Brands	Ply	Packaging	Sheets	Price (RM)	Price per 100 sheets (RM)
Vinda	3ply	4x100	400	15.70	3.93
Royal Gold	3ply	4x80	320	12.05	3.77
Meadows Home Soft	3ply	4x120	480	16.60	3.46
Kleenex	3ply	4x90	360	8.15	2.26
Nice naturale	2ply	5x90	450	9.90	2.20
Premier	2ply	4x200	800	16.50	2.06
Kitchen roll					
Brands		Packaging	Sheets	Price (RM)	Price per 100 sheets (RM)
Paseo		3*70	210	12.90	6.14
Vinda		5x80	400	16.99	4.25
Scott		6x55	330	13.99	4.24
Royal Gold		6x60	360	13.50	3.75
Premier		6x60	360	12.90	3.58
Toilet roll					
Brands	Ply	Packaging	Sheets	Price (RM)	Price per 100 sheets (RM)
Vinda	3	10x160	1600	23.30	1.46
Royal Gold	3	16x240	3840	27.50	0.72
Cutie Compact	2	10x300	3000	16.30	0.54

*Data as at 16 Sep 2022

Highlighted in orange are NTPM's brands

SOURCES: CGS-CIMB RESEARCH, VARIOUS RETAIL OUTLETS

Figure 10: Personal care product comparison (Retail Outlet 1)

Retail Outlet 1				
Baby diapers				
Brands	Size	Diapers	Price (RM)	Price per 10 wipes (RM)
Mamypoko	M	58	61.30	10.57
Huggies	M	56	32.35	5.78
PetPet	M	60	33.90	5.65
Whoopee	M	62	31.09	5.01
Diapex	M	70	30.95	4.42
Wet wipes				
Brands	Packaging	Sheets	Price (RM)	Price per 10 wipes (RM)
Dettol	1x50	50	18.55	3.71
Kleenex	3x10	30	6.90	2.30
Vinda	1x80	80	19.00	2.38
Premier	3x10	30	5.45	1.82
Paseo	1x25	25	3.50	1.40

Data as at 16 Sep 2022

Highlighted in orange are NTPM's brands

SOURCES: CGS-CIMB RESEARCH, VARIOUS RETAIL OUTLETS

Figure 11: Personal care product comparison (Retail Outlet 2)

Retail Outlet 2				
Wet wipes				
Brands	Packaging	Sheets	Price (RM)	Price per 10 wipes (RM)
Dettol	1x50	50	18.90	3.78
Vinda	1x80	80	16.90	2.11
Premier	3x10	30	5.90	1.97

Data as at 16 Sep 2022

Highlighted in orange are NTPM's brands

SOURCES: CGS-CIMB RESEARCH, VARIOUS RETAIL OUTLETS

Figure 12: Personal care product comparison (Retail Outlet 3)

Retail Outlet 3				
Baby diapers				
Brands	Size	Diaper	Price (RM)	Price per 10 wipes (RM)
Mamypoko	M	58	57.60	9.93
Huggies	M	60	35.99	6.00
Diapex	M	70	28.95	4.14
Wet wipes				
Brands	Packaging	Sheets	Price (RM)	Price per 10 wipes (RM)
Dettol	1x50	50	19.10	3.82
Vinda	1x80	80	17.10	2.14
Premier	3x10	30	5.70	1.90

Data as at 16 Sep 2022

Highlighted in orange are NTPM's brands

SOURCES: CGS-CIMB RESEARCH, VARIOUS RETAIL OUTLETS

This is in line with our channel checks that suggest NTPM's low to mid-priced positioning for its PREMIER brand allows the group to effectively capture larger market share of the mass-market segment consumers who are generally price conscious in their tissue paper purchases. We also noticed during our visits to the outlets that the personal care segment was relatively highly fragmented, with the presence of many competitors. Hence, NTPM's competitive pricing strategy might not augur as well in the personal care segment given the relative brand consciousness of consumers when purchasing personal care products.

Steered by an experienced management team ➤

NTPM is led by a management team with a wealth of experience in the paper industry and in the area of engineering, manufacturing and procurement, aside from logistics.

Mr. Lee See Jin is the chairman cum group managing director. He is also the founder of the business and has been in the paper industry for over 40 years. As such, Mr. Lee has accumulated extensive experience and knowledge of the paper industry in Malaysia.

Group Chief Executive Officer (CEO) and executive director, Mr. Lee Chong Choon is the son of Mr. Lee See Jin. His background is in the area of process engineering. He also had experience in NTPM's finance and sales division before being appointed to the board in 1999. He contributed to the group's product development and helped grow NTPM to its current size.

The chief operating officer (COO) role is shared by the children of Mr Lee See Jin (Group chairman cum Managing Director). Mr. Lee Chong Chat is responsible for the engineering division, Mr. Lee Chong Loo is in charge of NTPM's operations while Ms. Lee Hooi Fung oversees procurement.

All three COOs were exposed to engineering, production and logistics of other companies before assuming their current roles in NTPM.

The position of NTPM Executive Director - Manufacturing is held by Tan Chee Seng. He was in the pharmaceutical field before joining NTPM's engineering team in 1993. He was NTPM Manufacturing General Manager before taking on his current role as an Executive Director.

Figure 13: Board of directors and key management

Board of directors	Designation
Lee See Jin	Chairman cum Managing Director
Lee Chong Choon	Executive Director and Group Chief Executive Officer
Lim Han Nge	Senior Independent Non-Executive Director
Chang Kong Foo	Independent Non-Executive Director
Dr. Teoh Teik Toe	Non-independent Non-Executive Director
Tan Choon Thye	Independent Non-Executive Director
Key management	Designation
Lee Chong Chat	Chief Operating Officer (Engineering)
Lee Chong Loo	Chief Operating Officer (Operation)
Lee Hooi Fung	Chief Operating Officer (Procurement)
Tan Chee Seng	Executive Director- Manufacturing (NTPM)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

SWOT ANALYSIS

Strengths.

As mentioned earlier, we believe that one of NTPM's key strengths is its dominant position as a market leader in the tissue market in Malaysia, cemented by economies of scale through its large-scale production capabilities and comprehensive product range that caters to different consumer budgets and needs. Moreover, NTPM has managed to establish itself as a trusted brand, providing supplies to the away-from-home market besides positioning its products as a default option/go-to for some families when replenishing household products, in our view.

We believe another of NTPM's key strengths is its extensive and established distribution network which allows NTPM to benefit from effective inventory management, ensuring the timely delivery of products, coupled with lower distribution costs vs. peers that do not have this advantage.

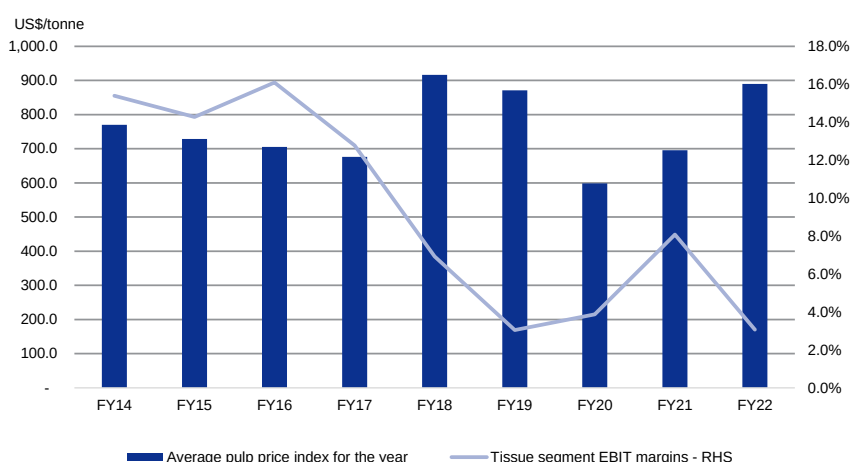
Additionally, NTPM's strengths also lie in its management team with decades of experience in the tissue and personal care segments. It started as a tissue paper manufacturing company but has since diversified into personal care products to provide consumers with better offerings.

Weaknesses. We see the low utilisation rate (c.53% in FY22) of its tissue paper segment production as a shortcoming of its operations. In FY19-20, the group spent total capex of RM196.1m, mainly for the installation of three new paper making machines (two in Vietnam, one in Malaysia), bringing the group's total tissue paper making capacity to 160k tonnes at end-FY22 vs. 110k tonnes at the time (excluding 10k tonnes capacity from its recently disposed Bentong plant). We reckon that due to the impact of the Covid-19 pandemic in FY20, the group was unable to ramp up its export plans due to high freight costs, causing the facilities to be underutilised. NTPM's operating margins could be improved tremendously through greater utilisation rates of 80-90%, as the group achieves higher operational efficiencies through higher order volumes.

Additionally, another weakness would be the group's reliance on the Malaysia market, as c.72% of the group's FY22 sales were local. Nevertheless, this risk should ease in the years to come as the group increases its focus on exports.

We note that the group's tissue segment margins have also narrowed in recent years (FY20-22), due mainly to higher raw material costs as the group faced limitations in passing on these costs for its tissue segment.

Figure 14: Tissue segment EBIT margins have been on a downtrend owing to higher raw material costs



Note : Average pulp price index is using China Market price of Bleached Chemical Pulp as the reference price and does not reflect actual pulp price achieved by the company

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, COMPANY REPORTS

Opportunities. We reckon there is more room for growth in NTPM's export markets. Export sales made up 28% of FY22 revenue.

The setting up of distribution and sales offices in Vietnam and Thailand should help NTPM to serve consumers better, strengthening its position in these markets. Moreover, management's intention to introduce new products (based on its FY22 annual report) could lift future earnings, in our view. For example, it expanded its wet tissue product range to include a convenient pocket-sized product in FY22.

Threats. We think that the key threats include a further escalation in the prices of its raw materials such as pulp and wastepaper pulp price. These two components contribute c.70% to the group's raw material costs in FY22 (see Fig 26) and have been on a rising trend since the beginning of 2022 (see Fig 16). Besides that, the weakening of the RM/US\$1 will negatively impact the profitability of its business as we estimate that c.60% of its raw materials (i.e. 35% of its total costs excluding depreciation) are imported and priced in US dollar. (see Fig 44). Moreover, NTPM could potentially face stiff competition from its rivals in the domestic or international market should NTPM lag in terms of technology adopted or fail to achieve optimum economies of scale.

Figure 15: SWOT analysis

Strengths	Opportunities
Dominant position as a market leader in Malaysia	Introduction of other product segments
Established household brand	Tapping into other overseas market
Extensive and established distribution network	
Experienced management team	
Weaknesses	Threats
Low utilisation rate	Higher pulp/wastepaper pulp prices
Reliance on local sales (c.72% of FY22 sales were local)	Weakening of the Malaysian ringgit
Falling tissue segment margins	New competitors entering the market

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

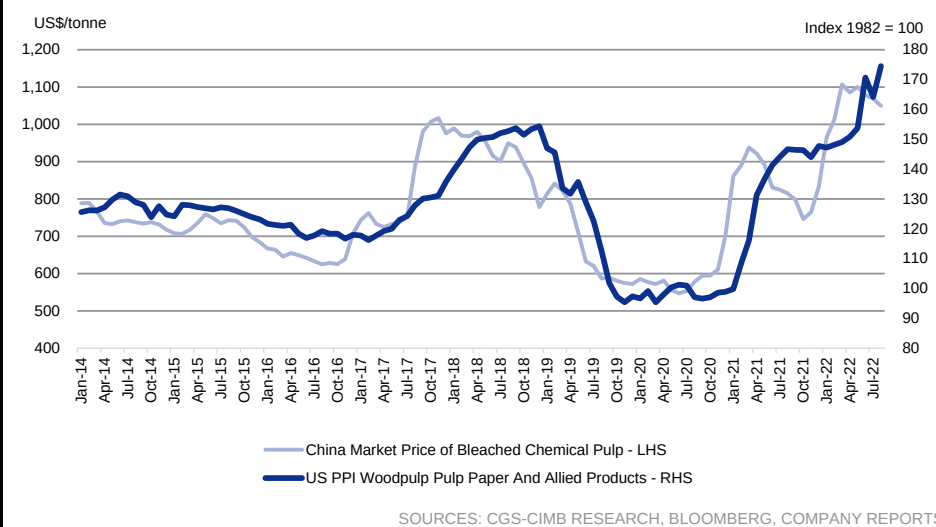
KEY RISKS

UPSIDE/DOWNSIDE RISKS

Fluctuation of raw materials ►

Pulp and wastepaper pulp are among the main raw materials used in producing tissue paper. They made up c.70% of NTPM's tissue paper raw material costs in FY17-22 (based on our estimates) and are subject to market price fluctuations. Any sharp increase/decrease in commodities such as pulp and/or wastepaper will have a negative/positive impact on NTPM's operating margins. We estimate every 1% appreciation/depreciation of pulp prices will lower/raise our FY23-25F core net profit by 12-14% (see Fig 45).

Figure 16: Bleached hardwood pulp prices have been steadily rising in the recent months, which is likely to put further margin pressure on NTPM



Forex fluctuations ►

In FY22, NTPM's forex transactions were largely US\$-denominated. About 27% of NTPM's revenue and 36% of its costs were denominated in foreign currencies in FY22. As its revenue can only partly offset the costs incurred, i.e. purchase of raw materials and borrowings, the weakening of the RM/US\$1 will negatively impact NTPM's margins.

In terms of US\$/RM, we estimate every +1%/-1% movement in US dollar against the ringgit will lead to RM4.9m-5.7m decrease/increase in NTPM's core EPS forecasts in FY23-25F (see Fig 44).

Figure 17: RM/US\$1 has been steadily rising in the recent months, which is likely to put further margin pressure on NTPM



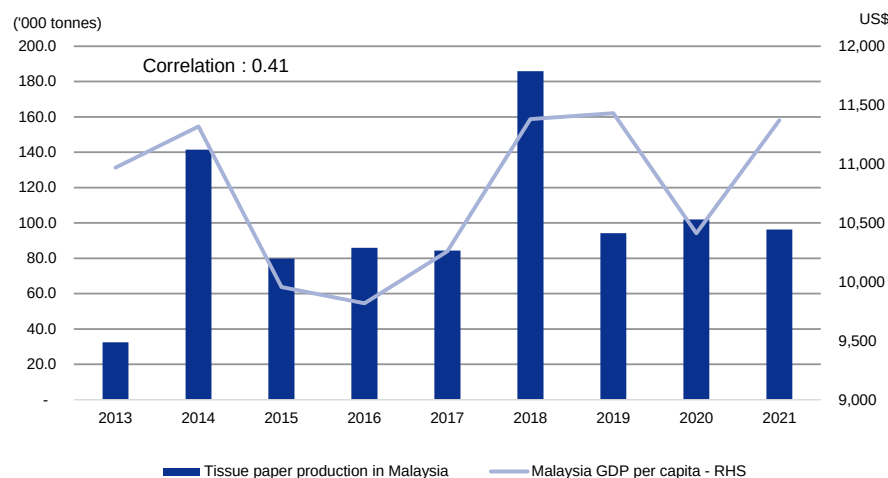
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

DOWNSIDE RISKS

Economic downturn ➤

Although the demand for products such as tissue paper and personal care products is relatively inelastic, we believe that NTPM's sales may be affected by weaker consumer spending. During an inflationary period, consumers may reallocate their expenditure and opt for cheaper products as the switching cost for tissue paper is relatively low, or even reduce tissue consumption should prices increase significantly. We note that Malaysia's tissue production, and hence tissue consumption, positively correlates with Malaysia's GDP per capita, indicating potential slowdowns in tissue consumption in the event of an economic slowdown, in our view.

Figure 18: Malaysia tissue paper production in Malaysia shows positive correlation to Malaysia's GDP per capita (nominal US\$)



SOURCES: CGS-CIMB RESEARCH, STATISTA, WORLD BANK

Competition from international players ➤

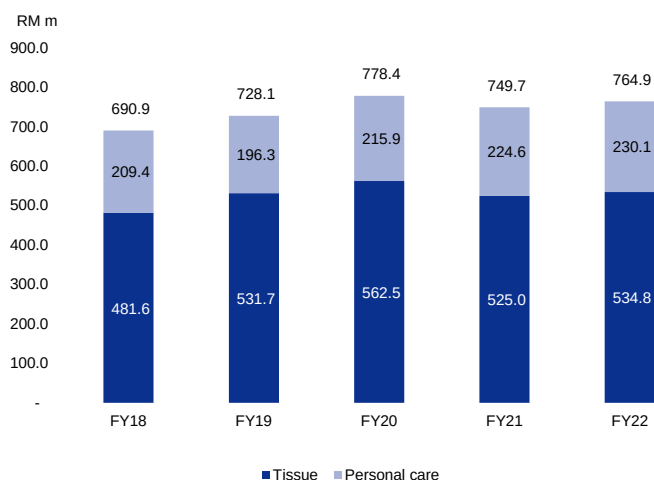
We believe a key downside risk to NTPM is the presence of global players in the tissue paper and hygiene segment, NTPM faces significant competitive pressure, both locally and in the overseas markets. The group's domestic and overseas market position relies on its ability to respond to competitors' pricing strategies besides NTPM's cost control measures. Intense pricing competitions or potential price wars from these players are likely to put pressure on NTPM's ability to raise selling prices and hence put downward pressure on the group's margins, in our view.

FINANCIALS

Majority of sales generated locally and from tissue segment ➤

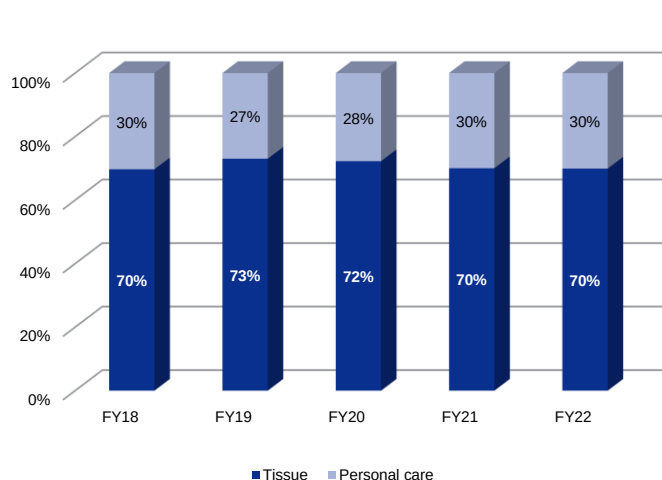
NTPM's main revenue generators comprise two main segments: the sale of paper products (i.e. tissue paper) and the sale of personal care products. Its tissue segment is the largest contributor to NTPM's total revenue at 70-73% in FY18-22, followed by the personal care segment at 27-30%. Similarly, its locally-generated sales contributed 70-73% of total revenue for FY18-22, while its second biggest market in FY22 is Singapore (9.7%), and Vietnam (8.0%)

Figure 19: Segmental revenue breakdown (RM m)



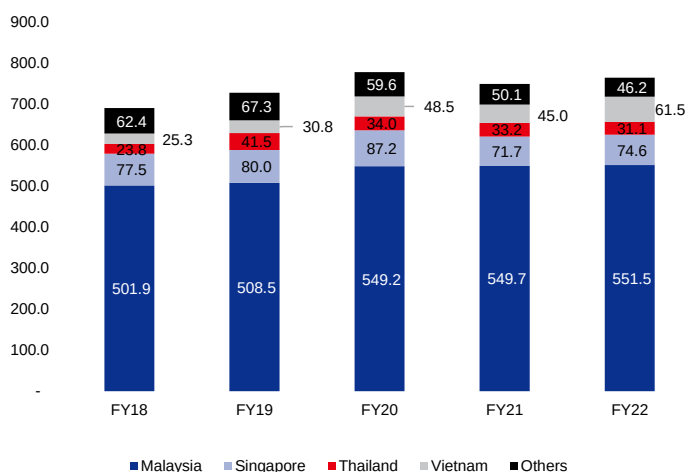
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 20: Segmental revenue breakdown (%)



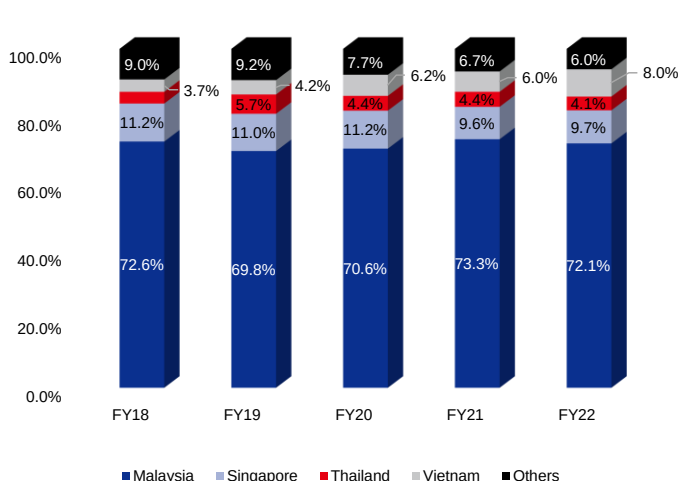
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 21: Geographical revenue breakdown (RM m)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 22: Geographical revenue breakdown (%)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

10-year revenue CAGR of 5.5% in FY12-22 ►

Over FY12-22, NTPM recorded a notable 10-year revenue CAGR of 5.5%, attributable to i) increasing demand for both its tissue and personal care products, locally and overseas, ii) rising ASPs for its tissue products as well as iii) expansion of its product range. More notably, NTPM achieved consistent positive revenue growth of 1-13% yoy for every year since FY13 except for FY21 (FY21 was affected by pandemic-driven declines in sales volumes, coupled with normalisation of demand, as FY20 was a bumper year owing to the stocking up of tissue and personal care products during the Covid-19 pandemic). We attribute its strong revenue growth mainly to rising affinity towards NTPM's diverse range of household brands over the years which caters to different consumer budgets and needs, coupled with the relatively defensive nature of the business given that NTPM operates in the consumer staples business.

Figure 23: Notable 10-year FY12-22 revenue CAGR of 5.5%...

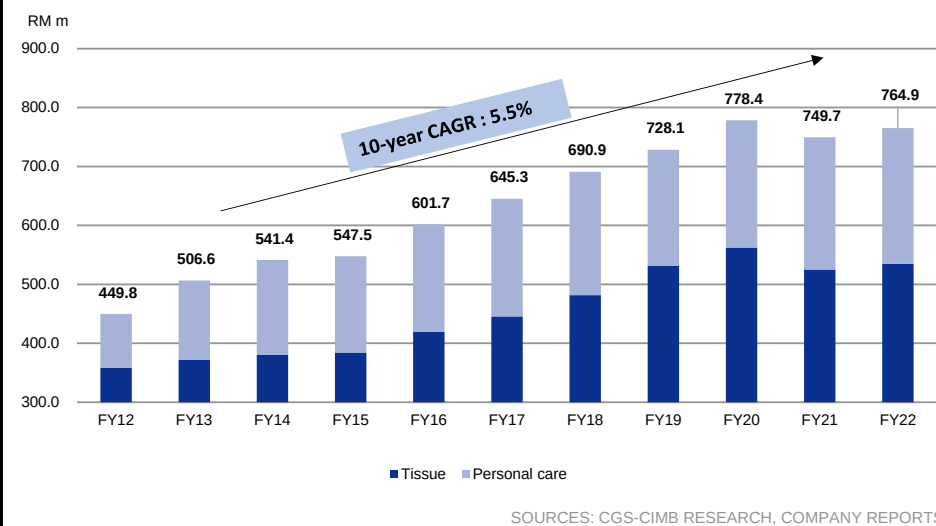


Figure 24: ...led by consistent yoy growth in local sales...

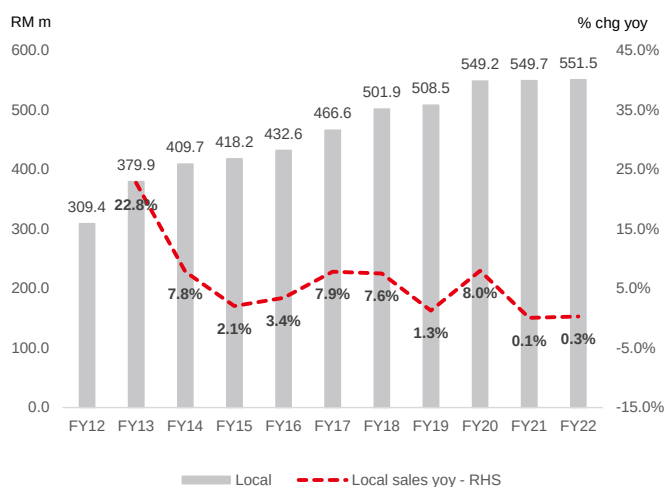
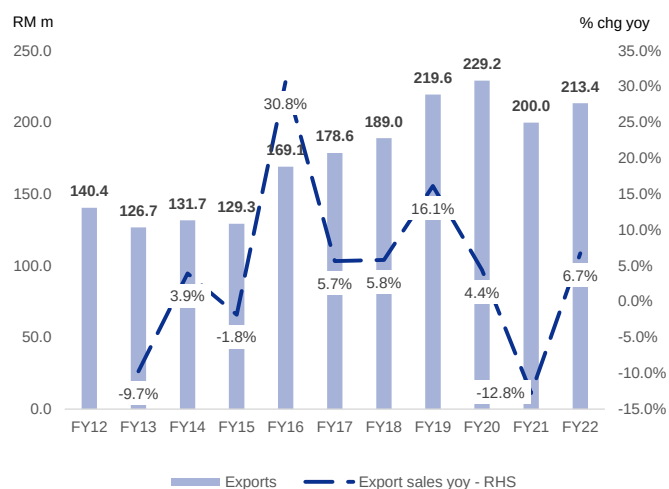


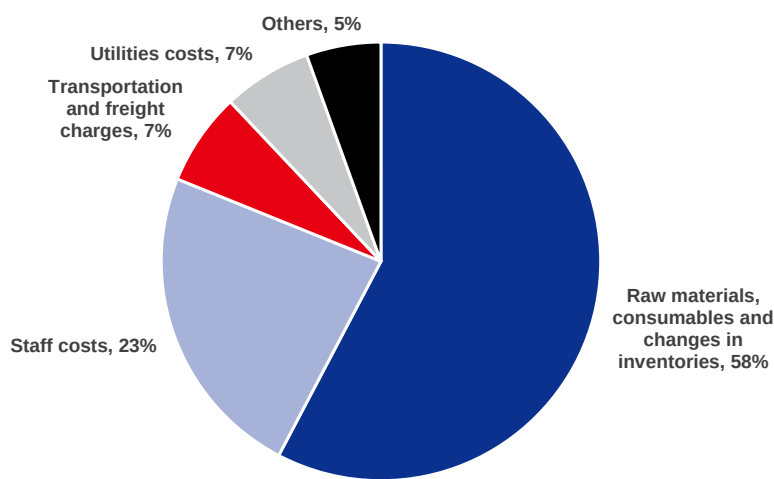
Figure 25: ...coupled with 4.3% 10-year FY12-22 CAGR for export sales



Raw materials are a key cost component ➤

Being a tissue and personal care products manufacturer, a large chunk of its NTPM's total costs (cost of goods sold and operating costs excluding depreciation) consist of raw materials, consumables and changes in inventories, which together make up 58% of total costs for FY22. This is followed by staff cost (23%), transport and freight (7%) as well as utilities (7%). For its raw material costs, we estimate that majority of this (c.70% in FY22 based on our back-of-the-envelope calculations) is likely pulp and wastepaper costs, which are the key raw materials used in the tissue paper making process.

Figure 26: Raw materials make up 58% of FY22 total costs (excluding depreciation)



Others include advertising and selling costs, repairs and maintenance etc.

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Moreover, we gathered from previous annual reports and its prospectus that typically, close to 100% of its pulp requirements are sourced from overseas suppliers, mainly Brazil and Indonesia. About 70% of its wastepaper requirements are sourced locally (for its Malaysian operations), all of which we estimate are likely priced in US dollar. Hence, we estimate that c.60% of its raw materials (i.e. 35% of its total costs excluding depreciation) are priced in US dollar. This essentially means that any depreciation in the ringgit is likely to impact its margins negatively through higher raw material costs, though this is likely to be partially offset by higher export sales (c.28% of FY22 total revenue).

Hence, assuming its costs are unhedged, we estimate every 1% depreciation of the RM/US\$ will cause our forecasted FY23-25F core net profit to drop by 4.7-5.4% (see Fig 43 for complete sensitivity analysis).

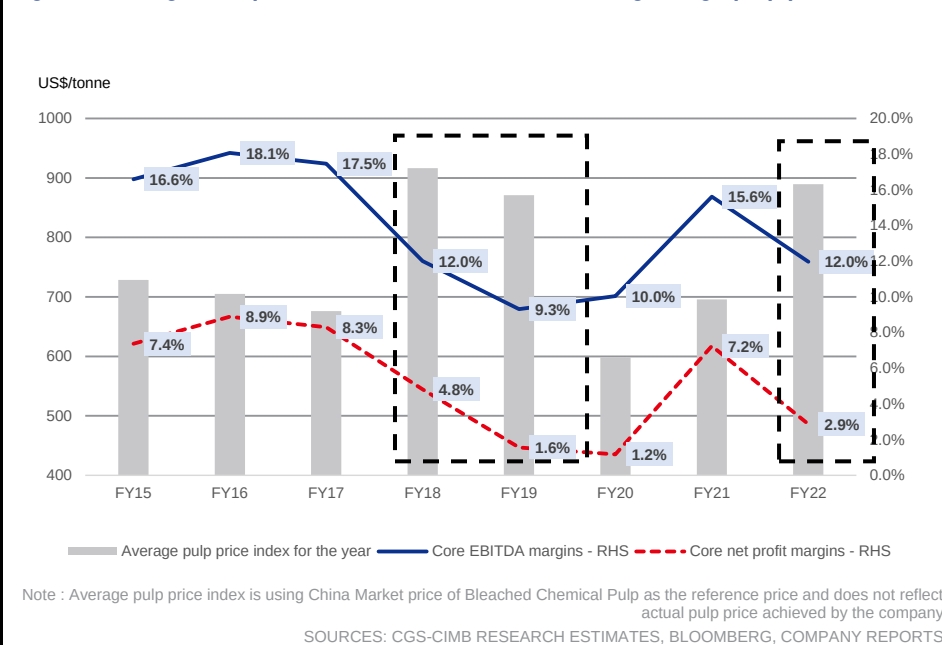
Operating margins largely linked to pulp and paper prices...➤

We note that one of NTPM's key earnings drivers has been its volatile raw material costs, mainly pulp and wastepaper prices in the past five financial years. As mentioned earlier, raw material costs, more specifically pulp and paper costs constitute a large chunk (c.35%) of the group's total costs (excluding depreciation). Based on our channel checks, we reckon that NTPM likely purchases its raw material requirements three months ahead, i.e. the group's raw material inventory levels sit at c.3 months at any point in time.

NTPM could mitigate its raw material cost volatility to a certain degree by employing natural hedging mechanisms through stocking up higher inventory levels at times of low pulp prices (as was the case in FY21). Nevertheless, we reckon that in a rising pulp and wastepaper price environment, the group's margins are likely to be affected negatively, as was the case in FY18-19 and

FY22. While pulp prices had dropped quite significantly (-31% yoy) in FY20, we note that the group still booked relatively low EBITDA margins of 10.0%. This was mainly due to a spillover effect of high feedstock costs from relatively high pulp prices in FY18 and FY19.

Figure 27: Margin compression in FY18-19 and FY22 owing to high pulp prices



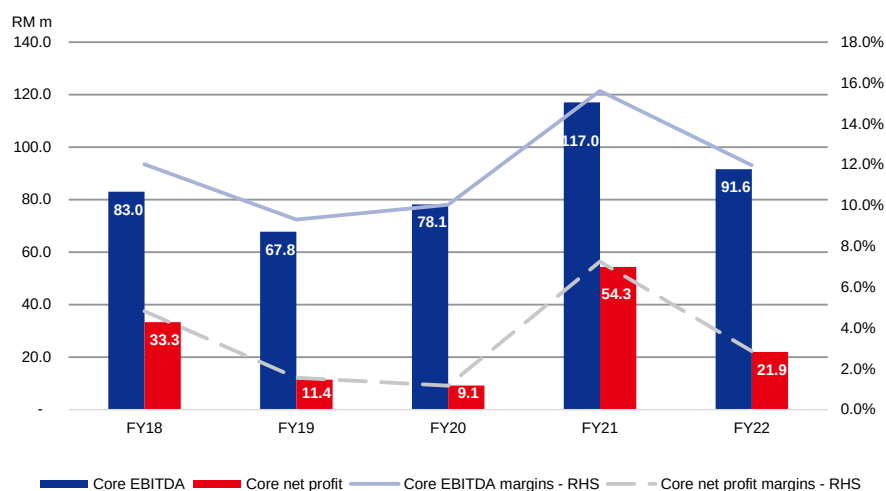
Despite the inelastic nature of tissue products, we opine that mass-market consumers are generally more price conscious in their purchasing of tissue paper vs. being brand conscious. Hence, we reckon that NTPM likely faces limitations in fully passing on any potential rising costs to retail consumers, which is further worsened by a large number of competitors in the country (based on anecdotal evidence from our channel checks at various retail outlets in the Klang Valley) coupled with the relatively low switching costs for retail consumers with regards to tissue products.

This, however, might not be the same case for personal care products as consumers are likely more brand conscious in their choice of personal care products, in our view.

...leading to sharp volatility in earnings in the recent years ►

NTPM experienced large swings in its profitability in FY18-22, mainly driven by a combination of pulp and wastepaper price volatility (which was further compounded by the high freight costs), coupled with ringgit fluctuations as well as the Covid-19 pandemic-induced volatility in sales volumes.

Figure 28: FY20-22 earnings mostly impacted by raw material prices, ringgit fluctuations as well as the Covid-19 pandemic



SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

- FY18-19: Despite higher yoy revenue of 7.1%/5.4% for FY18/19, mainly owing to better sales volumes for both its tissue and personal care segment, core net profit plunged 38%/66% yoy to RM33m/11.4m in FY18/19 vs. RM53.5m in FY17 mainly due to sharp margin erosions from higher raw material prices. Pulp prices were 36% and 29% higher in FY18 and FY19 vs. FY17 prices of US\$675/tonne due to supply disruptions in China (see page 20).
- FY20: NTPM revenue rose 7% yoy to RM778m, mainly due to better sales volumes for both its tissue and personal care segment. Nevertheless, 1HFY20 was impacted by higher feedstock costs as the group had entered virgin pulp and wastepaper contracts at relatively higher prices, leading to a sharp 20% decline in core net profit to RM9.1m. On a reported net profit basis, we note that FY20 reported net profit was at a record low of RM6.3m.
- FY21: NTPM recorded a revenue decline of 4% yoy to RM749m, mainly due to lower sales volumes for its tissue paper segment, which was severely impacted by the Covid-19 pandemic as its away-from-home (“AFH”) business was affected by movement control restrictions, leading to significant decrease in sales volumes from the HORECA sector. Contrastingly, the group’s core net profit jumped 6x yoy to RM54m, (highest since 2015) as the group benefitted greatly from low pulp prices in 1HFY21 (US\$571/tonne).
- FY22: Despite rising freight costs and labour shortages impacting the group’s export sales and supply chains, NTPM still managed to book in a slight revenue growth of 2% yoy to RM764m, mainly due to the reopening of the economy in 2HFY22 coupled with higher ASPs as the group raised prices in the financial year. Nevertheless, core EPS plunged 60% yoy, as the higher ASPs were eclipsed by severe margin compressions from higher pulp prices and wastepaper prices (pulp prices rose 28% yoy).

Earnings distorted by one-offs ➤

A closer look at NTPM’s historical net profit numbers reveals that its reported net profit was distorted by various one-off items, with the major ones being forex gains, gain on disposal of subsidiaries, as well as revaluation deficits.

Figure 29: Derivation of core net profit (RM m)

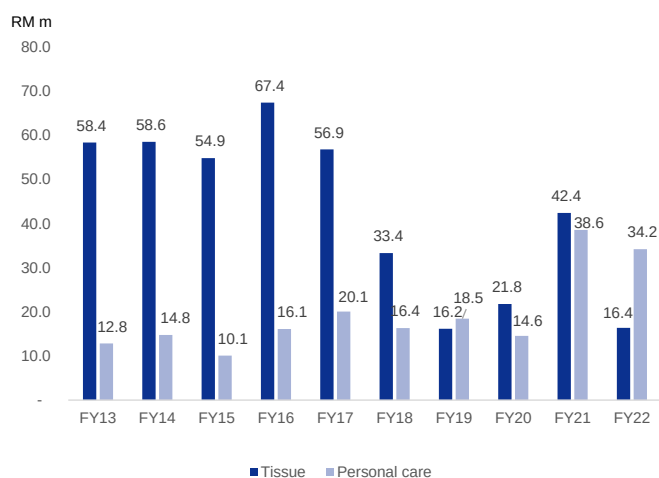
	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Reported net profit	49.4	54.3	43.0	58.4	50.5	29.7	9.0	6.3	63.3	28.5
Exceptional gains/(losses)										
Gain on disposal of subsidiary	-	-	-	-	-	-	-	-	12.6	-
Revaluation deficit on land	-	-	-	-	-	-	(0.4)	(2.9)	(2.1)	(0.6)
Impairment losses on trade receivables/(reversal)	(0.0)	(0.2)	0.1	(0.2)	0.1	(0.0)	0.0	(0.3)	(0.3)	(0.3)
Inventories written down/(reversal)	(0.0)	(0.0)	-	(0.2)	(0.0)	(0.6)	-	(0.0)	0.1	0.2
Amortisation of land rights	(0.3)	(0.5)	(0.5)	(0.5)	(0.6)	(0.5)	(0.5)	-	-	-
Bad debts written off	(0.0)	(0.1)	(0.3)	(0.1)	(0.4)	(0.1)	(0.2)	0.2	(0.4)	(0.2)
Bad debts recovered	0.1	0.0	0.0	(0.1)	0.0	0.0	0.0	0.1	0.4	0.0
Gain/(loss) on disposal of PPE	(0.0)	(0.0)	(0.6)	0.2	0.0	0.0	0.0	0.0	0.4	0.0
Fair value gains/ loss on derivatives	0.3	(0.2)	0.4	(0.2)	0.2	(0.1)	(1.0)	(0.2)	0.1	(0.1)
Net forex gain/(loss)	0.7	1.1	3.0	5.6	(2.4)	0.7	(0.1)	0.9	(1.2)	7.8
PPE written off	(0.3)	(0.2)	0.6	(0.1)	(0.2)	(0.1)	(0.3)	(0.8)	(0.5)	(0.3)
PPE impairment	(0.3)	-	-	-	-	(2.8)	-	-	-	-
PPE impairment reversal	-	-	-	0.4	-	-	-	-	-	-
Core net profit	49.2	54.3	40.4	53.5	53.5	33.3	11.4	9.1	54.3	21.9
Total exceptional gains/(losses)	0.2	(0.0)	2.7	4.9	(3.1)	(3.6)	(2.4)	(2.8)	8.9	6.6

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

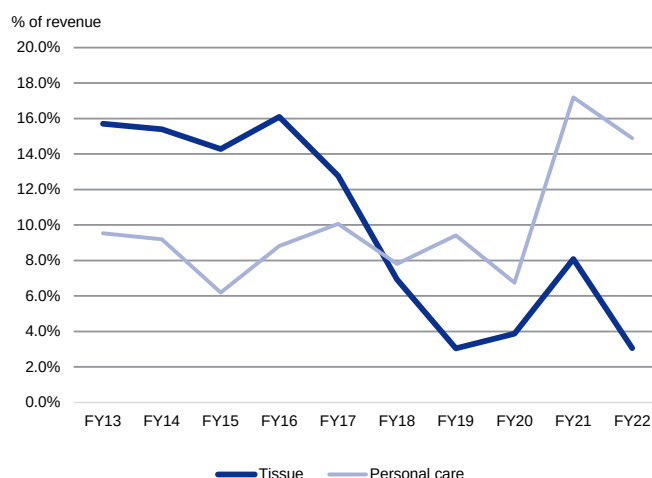
The gain on disposal of subsidiary in FY21 of RM12.6m was relating to the group's disposal of its 100% equity interest held in NTPM Paper Mill (Bentong) Sdn. Bhd. ("NTPM Bentong") for a cash consideration of RM27.5m. NTPM Bentong was principally engaged in the manufacturing and trading of tissue paper products such as toilet rolls tissues.

Personal care segment overtook tissue as the largest earnings contributor in FY22 ➤

On a segmental basis, we note that its personal care segment EBIT overtook the tissue products segment EBIT for the first time in FY22. We opine that FY21/22 EBIT of RM38m/34m for the personal care segment likely benefitted from i) strong uptake of its personal care products owing to increased hygiene awareness due to the Covid-19 pandemic, as well as ii) rising gross margins from new product innovations (e.g. expansion of its wet tissue product range to include convenient pocket sized packages).

Figure 30: Segmental EBIT breakdown (RM m)


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 31: Segmental EBIT margins (%)


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

We remain hopeful on this segment as we opine that personal care products should continue to garner higher margins relative to its tissue segment as they are typically higher value-added products. Based on NTPM's FY22 annual report,

its key focus for this segment would be to expand its market share in Indochina markets such as Thailand and Vietnam, as part of its regionalisation efforts. We concur that this would be the best strategy for NTPM for its personal care products. We gather from our channel checks in retail outlets across the Klang Valley that NTPM faces immensely fierce competition for its personal care products from many peers in Malaysia such as Vinda, Kimberly Clark and other brand names, mainly from China.

Nevertheless, this segment is also likely to face margin compression from higher raw material costs, though not at the same quantum as the tissue segment. We project personal care segment EBIT margins to narrow to 12.9% for FY23F vs. FY22 EBIT margin of 14.9% on account of higher pulp and wastepaper prices (+20% for FY23F, based on our estimates).

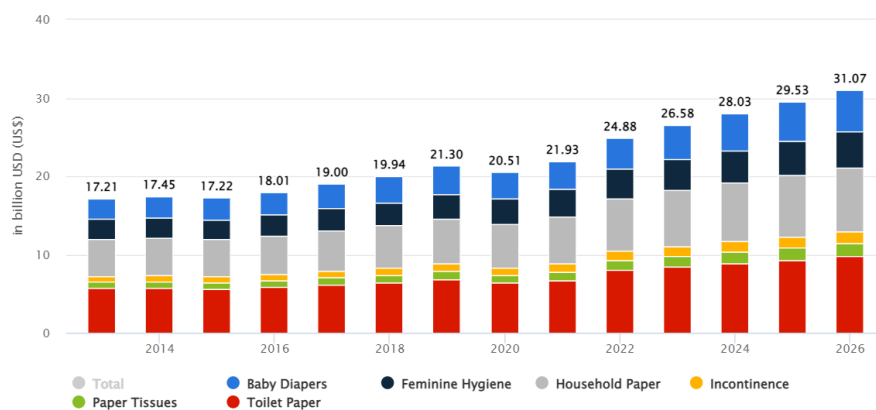
OUTLOOK

Southeast Asia tissue and hygiene market to post a 4-year CAGR of 5.7% in 2022-26F ➤

Market research company Statista predicts that the tissue and hygiene market in the Southeast Asia region will record a healthy 4-year CAGR (2022-26F) of 5.7% to reach US\$31bn by 2026F due to a worldwide increase in access to and improvement of sanitation facilities as well as healthcare facilities.

Over the same period, the tissue and hygiene market in Malaysia, Thailand and Vietnam are expected to grow at a 4-year CAGR of 6.8%, 5.3%, and 6.3% respectively, based on Statista data. This augurs well for NTPM's sales growth outlook for both its local and export sales (c.28% of FY22 sales) given NTPM's focus in growing its exports in the Indochina region, more specifically Vietnam and Thailand as well as its efforts in gaining a larger market share in Malaysia for tissue segment, in our view.

Figure 32: Statista projects 5.7% 4-year 2022-26F CAGR for the Southeast Asian tissue and hygiene market



Notes: Data shown is using current exchange rates and reflects market impacts of the Russia-Ukraine war.

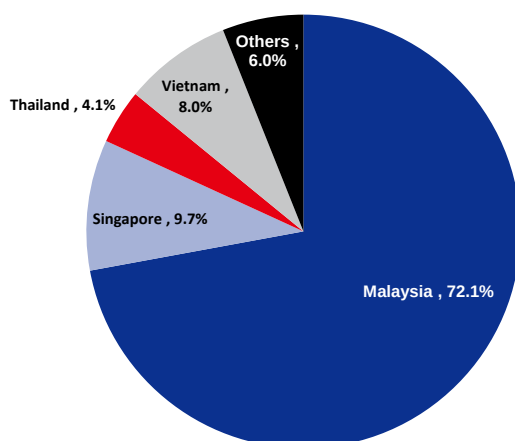
Most recent update: Jul 2022

SOURCES: CGS-CIMB RESEARCH, STATISTA

Regional focus on strong growth driver in the longer term... ➤

While Malaysia remains the group's key market segment for NTPM (c.72% of FY22 revenue), we gather from the group's FY22 annual report that NTPM continues to channel its focus towards its expansion plans in the Indochina region as part of its regional penetration efforts.

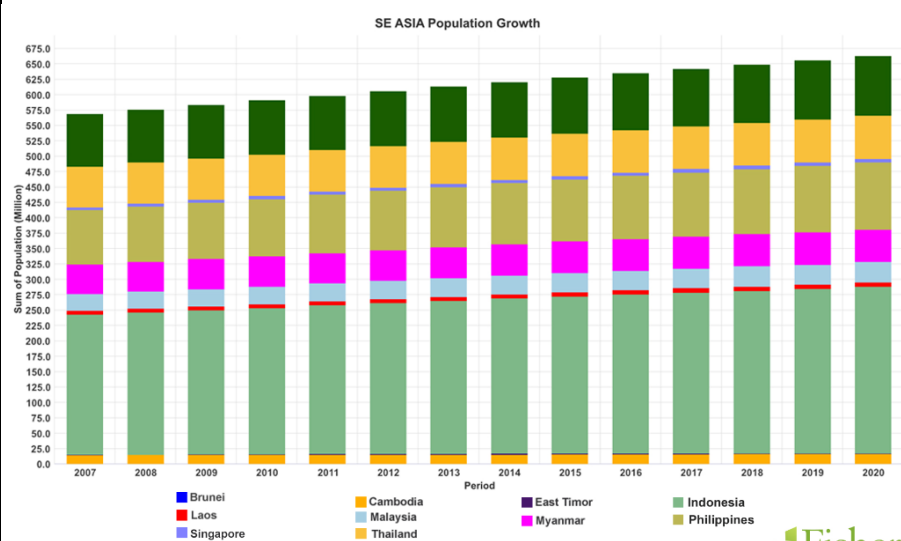
Figure 33: Geographical breakdown of NTPM's FY22 revenue



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

We are positive on this strategy as we believe that NTPM stands to benefit greatly from i) growing population in these regions, ii) gradual rise in purchasing power within these regions, as well as iii) relatively low tissue consumption per capita (see Fig 36). These factors should allow NTPM to benefit from higher penetration levels for its tissue and personal care products in these regions, in our view.

Figure 34: NTPM stands to benefit from rising population growth in the region...



SOURCES: CGS-CIMB RESEARCH ESTIMATES, FISHER INTERNATIONAL

Note: Fisher International is a pulp and paper analytics and research firm.

Figure 35: NTPM stands to benefit from rising population growth in the region...

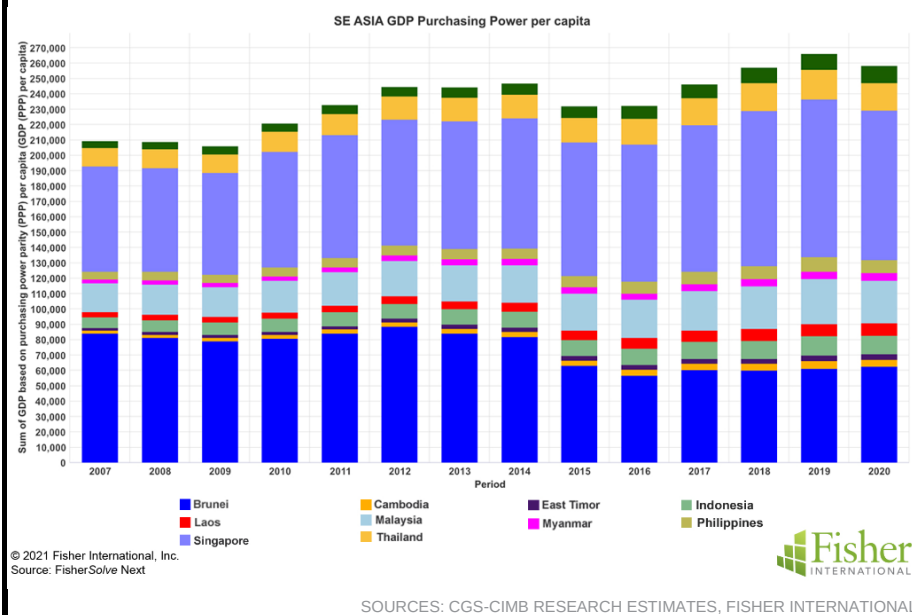
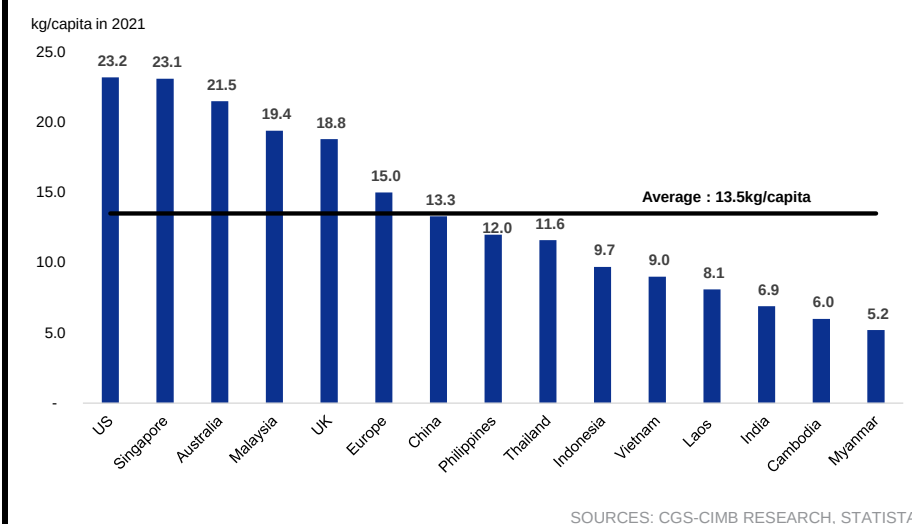


Figure 36: ...which should allow for higher tissue consumption per capita



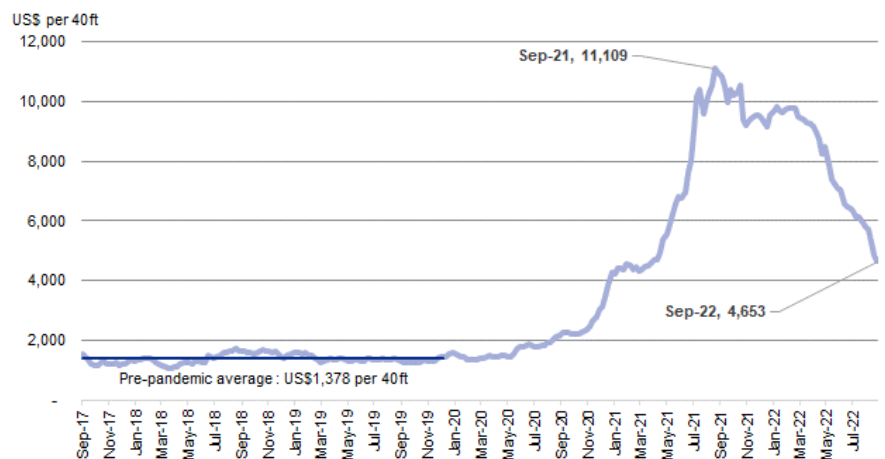
We estimate that its manufacturing facility in Vietnam (50k tonnes annual capacity) currently runs at c.50% utilisation rate, which provides ample room for the group to ramp up its output in its plans to capture these markets. Furthermore, given that the Vietnam operations were loss-making in the past seven years (since the inception of its Vietnam business), better export market sales leading to higher utilisation rates at its Vietnam facility should allow for strong margin expansion going forward, should its plans come to fruition.

...but near-term plans face logistics-driven obstacles➤

Based on our channel checks with export players from various industries, we gather that freight rates remain at elevated levels vs. pre-pandemic levels. In addition, their export sales have also been affected by port congestion and the limited availability of vessels. We reckon that these logistics challenges could continue to hinder NTPM's attempts to drive export sales in the near-term.

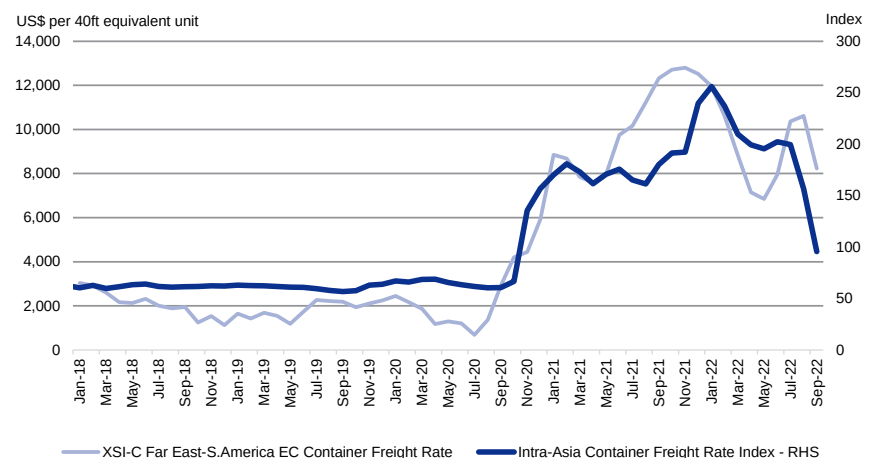
Nevertheless, we anticipate these issues to slowly ease as we estimate an easing of freight rates and supply chain issues following the gradual reopening of international borders, particularly from the potential reopening of China.

Figure 37: Freightos Baltic Index (Global)



Note: Freightos Baltic Index (FBX) provides 40' container (FEU) indices for ocean freight
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 38: Xaneta Shipping Index by Compass (XSI-C) - Far East to South America East Coast (EC) Container Freight Rate vs. Intra-Asia Container Freight Rate Index



Note: The XSI-C - Far East to South America East Coast is a BMR compliant index representing rolling short-term Freight All Kind (FAK) rate valid for less than 32 days, for a 40' container and from Far East to South America East Coast.
Note: Intra-Asia Container Freight rate indexes is an index and does not represent actual transacted freight rates

Data up to 1 Sep 2022

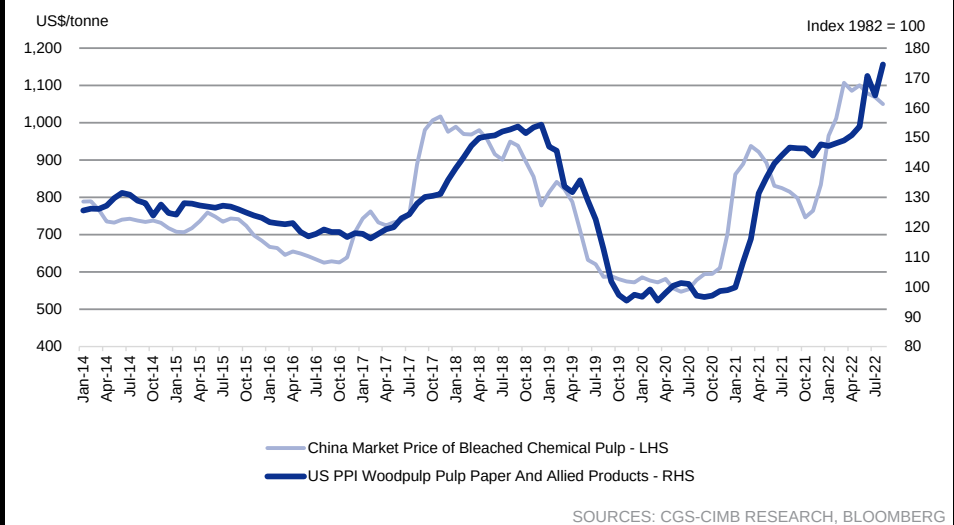
SOURCES: CGS-CIMB RESEARCH, SHIPPING INTELLIGENCE NETWORK, BLOOMBERG

Current high pulp prices equate to test of survival ►

According to pulp and paper analytics and research firm Fisher International, China implemented a ban on mixed papers in 2017 before implementing a complete ban on the import of all solid waste, which took effect on 1 Jan 2021. This latest ban includes sorted office paper. Without this recycled paper stream coupled with being in a region with a shortage of wood, many Chinese tissue producers have been switching to virgin market pulp, as the amount of recycled market pulp available currently is insufficient to meet production needs. Companies that generally consume market pulp most likely purchased relatively high amounts of inventory when pulp prices were at record lows in 2020.

Hence, the i) lower supply of pulp available in the region, coupled with ii) rising demand as global tissue consumption rises post the Covid-19 lockdowns in major countries, as well as iii) record high freight rates have all contributed to increases in pulp price, according to Fisher International.

Figure 39: Bleached hardwood pulp prices have been steadily rising in the recent months, which is likely to put further margin pressure on NTPM



As mentioned earlier, the high pulp prices have compressed margins for NTPM. NTPM's core net profit margins were at low levels of 0.8-4.3% in FY18-22 (except FY21 core net profit margin of 8.4%) and FY13-17 core net profit margins of 7.8-10.0%. In FY21, NTPM benefitted from record low pulp prices owing to the Covid-19 pandemic as well as gain on disposal of its subsidiary (NTPM Bentong) in FY21 of RM12.6m.

Figure 40: NTPM's EBIT margins

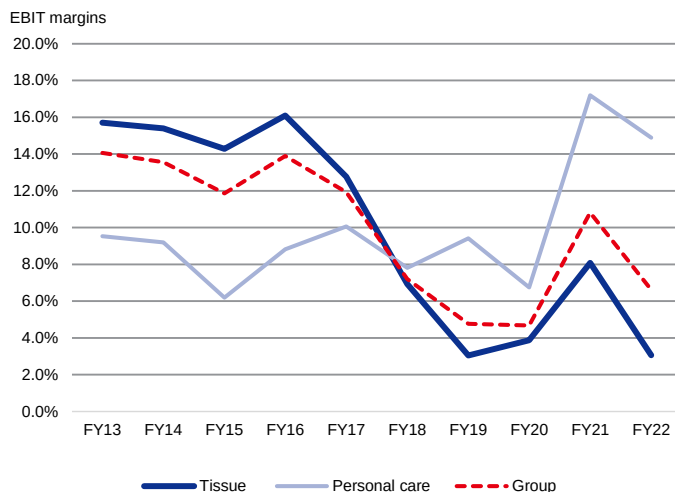
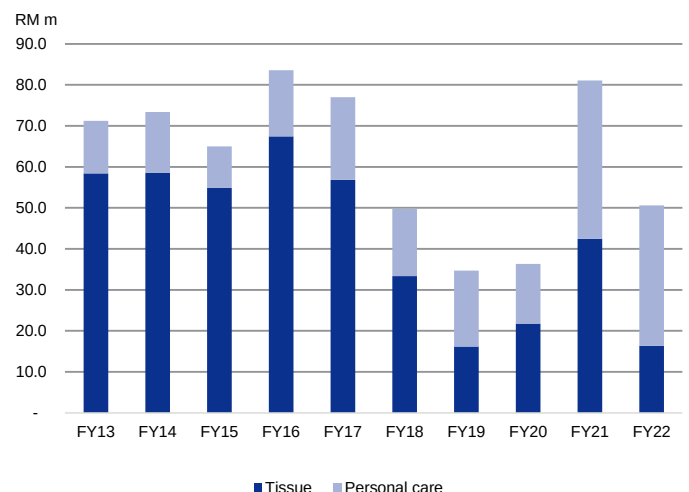


Figure 41: NTPM's segmental EBIT (RM m)



Average pulp prices based on China Market Price of Bleached Chemical Pulp index for 4MFY23F (May 2022 - Aug 2022) have risen by c.20% vs. FY22 pulp prices of US\$889/tonne. In our view, since there are no significant factors that may change the pulp supply in China and/or other major producing countries in the near term, plus positive high inflation pressure in 2HCY22F, we forecast pulp prices to broadly remain at these levels for the rest of 2022. We opine that NTPM could find it difficult to raise prices further as it already lifted prices twice in 1HCY22. Hence, we expect further EBITDA margin compression of 2.8% pts for NTPM in FY23F to 10.0%.

On the flipside, we reckon that in the face of high raw material prices coupled with high freight costs, some small players in the industry are likely reducing

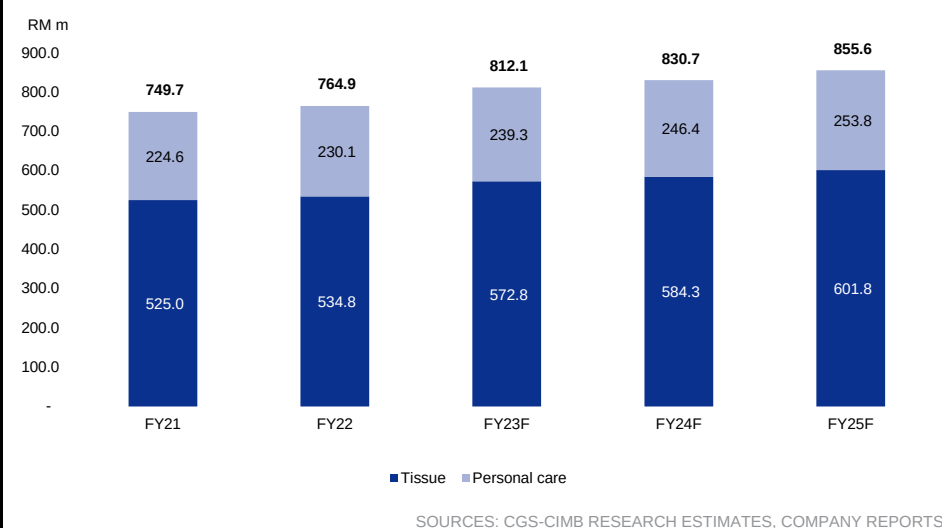
capacity or shutting down. This provides market consolidation opportunities for the remaining survivors, in our view.

Forecasting modest FY22-25F revenue CAGR of 3.8% ➤

We see NTPM registering revenue growth of 6.2%/2.3%/3.0% yoy in FY23F/24F/25F, implying a decent 3-year CAGR (FY22-25F) of 3.8%. We expect this to be driven by:

- 1) tissue segment sales growth of 7%/2%/3% yoy in FY23F/24F/25F. Following the surge in raw material costs in FY22, NTPM raised its ASPs twice this year, in Apr and May 2022. Hence, we factor in a 5% increase in ASP for FY23F, followed by flat ASPs for FY24-25F. In terms of sales volumes, we forecast a 2% rise in its sales volumes for FY23F following the reopening of economies which should lead to higher demand for its away-from-home customers.
- 2) personal care sales growth of 4%/3%/3% yoy in FY23F/24F/25F. Our 3.3% three-year FY22-25F CAGR for this segment is premised on higher ASPs, stronger baby diaper sales, coupled with higher export sales growth for this segment as the group further increases marketing efforts in the Indochina region for its personal care products.

Figure 42: We forecast FY22-25F revenue CAGR of 3.8%



Projecting FY22-25F core EPS CAGR decline of 4.4%% ➤

Despite higher revenue for its tissue product segment, we expect core EPS to fall 26.6% yoy in FY23F, mainly due to higher raw material costs, more specifically pulp and waste paper costs, coupled with higher operating costs. Average pulp prices for 4MFY23F (May 2022 - Aug 2022) have risen by c.20% vs. FY22 pulp prices of US\$889/tonne. This should lead to further margin compression for the group for both its tissue and personal care segments. The group is also likely to be hit by i) higher labour costs as the higher minimum wage of RM1,500 per worker per month gazetted by the Malaysian government which took effect in May 2022, as well as ii) higher utility cost (7% of NTPM's total costs in FY22) from potentially higher gas and electricity costs. We have pencilled in EBITDA margin contraction of 2.8% pts in FY23F to 10.0% to factor in these cost increases. Nevertheless, these are partially offset by our assumptions of an ASP increase of 5% in FY23F.

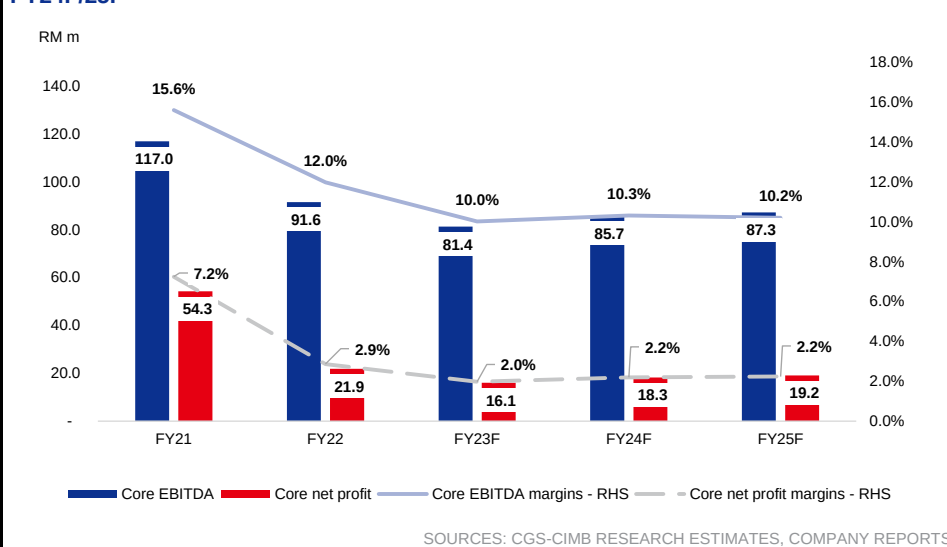
Thereafter, we forecast core EPS to grow 13.7%/4.7% yoy in FY24F/25F on better sales volumes for both tissue and personal care segments as well as easing input cost pressures. In addition, we forecast its Vietnam division, which

we estimate was loss-making in FY22, to turn profitable in FY24F. This should help bolster the group's earnings, in our view.

Upside risks to our forecasts include: i) lower-than-expected pulp and/or waste paper prices, leading to margin accretions; ii) stronger-than-expected growth for its tissue segment sales from its Vietnam operations, leading to better utilisation rates for its Vietnam operations, and iii) higher ASPs for personal care segment, leading to better operating margins

Downside risks to our forecasts include: i) higher-than-expected pulp and waste paper prices, freight costs and/or a weaker ringgit, all of which could lead to margin compressions; and ii) slower-than-expected growth in the export markets for both segments, leading to continued underutilisation of its facilities and weak operating margins.

Figure 43: We project core EPS to dip by 27% in FY23F, before rising again in FY24F/25F



Sensitivity analysis ➤

RM/US\$ sensitivity: We estimate every 1% depreciation of the RM/US\$ will cause our FY23-25F core net profit to drop by 4.7-5.4%, which gives the US\$ a rather big hold on the group's earnings. Our assumptions are i) c.60% of its raw material cost (i.e. 35% of its total costs excluding depreciation) is denominated in US dollar, ii) costs are unhedged with the incremental costs not being passed on to customers, and iii) the group does not garner incremental export sales from the weaker ringgit and iv) base case assumption of RM/US\$ of 4.50/4.40/4.35 for FY23/24/25F.

Nevertheless, we anticipate this impact to be partially offset by higher export sales following any potential depreciation of the RM/US\$1.

Figure 44: Sensitivity analysis shows a strong correlation between RM/US\$ and group earnings going forward

RM/US\$ sensitivity analysis	Core net profit (RM m)			Core net profit chg (%)		
	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F
RM/US\$ appreciates by 10%	24.8	27.1	28.2	54.1%	48.0%	47.1%
RM/US\$ appreciates by 5%	20.5	22.7	23.7	27.0%	24.0%	23.5%
RM/US\$ appreciates by 1%	17.0	19.2	20.1	5.4%	4.8%	4.7%
Base case	16.1	18.3	19.2	0.0%	0.0%	0.0%
RM/US\$ depreciates by 1%	15.2	17.4	18.3	-5.4%	-4.8%	-4.7%
RM/US\$ depreciates by 5%	11.8	13.9	14.7	-27.0%	-24.0%	-23.5%
RM/US\$ depreciates by 10%	7.4	9.5	10.1	-54.1%	-48.0%	-47.1%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Pulp prices: We estimate every 1% appreciation of pulp prices will cause our FY23-25F core net profit to drop by 12-14%.

Figure 45: Sensitivity analysis shows a strong correlation between pulp prices and group earnings going forward

Pulp price sensitivity analysis	Core net profit (RM m)			Core net profit chg (%)		
	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F
Pulp price appreciates by 5%	4.8	6.9	7.5	-70.1%	-62.2%	-61.1%
Pulp price appreciates by 2%	11.6	13.8	14.5	-28.0%	-24.9%	-24.4%
Pulp price appreciates by 1%	13.8	16.0	16.8	-14.0%	-12.4%	-12.2%
Base case	16.1	18.3	19.2	0.0%	0.0%	0.0%
Pulp price depreciates by 1%	18.4	20.6	21.5	14.0%	12.4%	12.2%
Pulp price depreciates by 2%	20.6	22.9	23.9	28.0%	24.9%	24.4%
Pulp price depreciates by 5%	27.4	29.7	30.9	70.1%	62.2%	61.1%

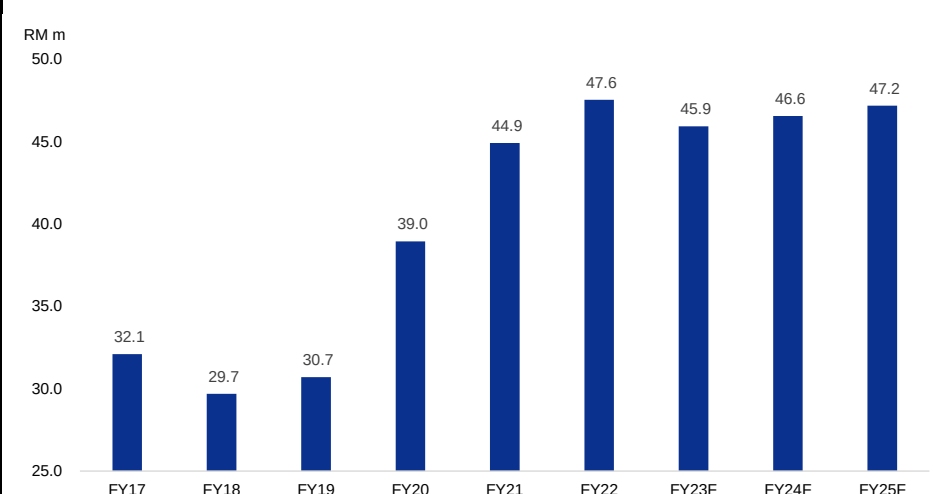
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Depreciation to remain high, but no major capex requirements expected in FY23-25F

We project capex of RM15m in FY23-25F given the lack of major capex plans by NTPM. Over the past five years, NTPM has spent a total of RM369.3m on capacity expansion and addition of new machines (tissue paper making machines, paper converting machines etc.).

In FY19-20, the group's total capex of RM196.1m was mainly relating to the installation of three new paper making machines (2 in Vietnam, 1 in Malaysia), bringing the group's total tissue paper making capacity to 160k tonnes at end-FY22 vs. 110k tonnes at the time (excluding 10k tonnes capacity from its recently disposed Bentong plant). This led to a sharp increase in the group's depreciation expenses, which increased 27%/16%/6% yoy in FY20/21/22.

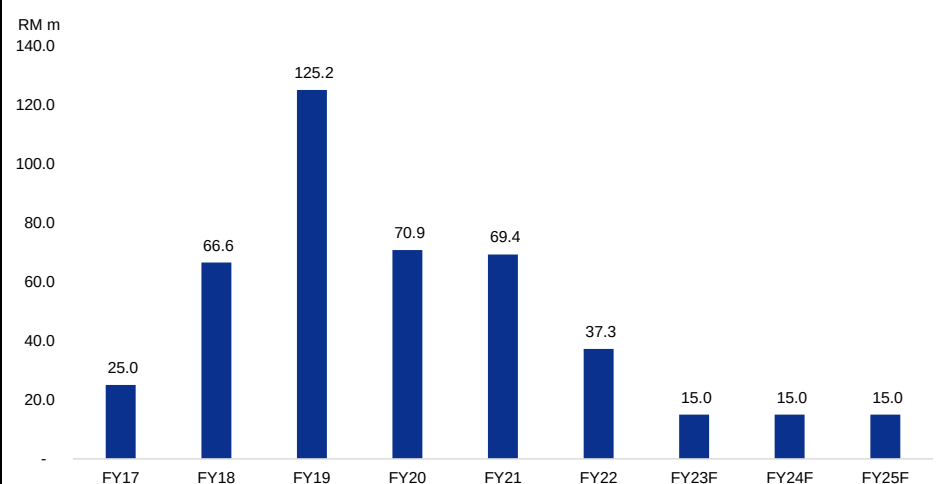
Figure 46: Higher depreciation expenses mainly due to additional capacity expansion in FY19-20



SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Nevertheless, as the group has ample capacity to increase its sales volumes, we anticipate minimal capex spend of RM15m in FY23-25F. We think that this should mainly be for the automation of its processes and facilities, as a means to improve productivity and reduce reliance on labour.

Figure 47: We project capex of RM15m in FY23-25F



SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Working capital ratios relatively high ➤

We note that over FY18-22, NTPM's average inventory turnover days was 193 days. This implies c.6.5 months of inventory turnover, which we reckon is likely due to the non-perishable nature of the group's products (tissue paper and personal care products), allowing NTPM to maintain a higher inventory level for its raw materials and finished goods. We further observed that NTPM's inventory days was relatively high in FY21/22 at 225/204 days vs. FY18-20 average of 179 days. We reckon this was due to NTPM keeping relatively higher inventory levels in view of supply chain disruptions. We are not overly concerned about this as we do not think that NTPM faces sell-through issues for its products given the relative inelastic nature of its products. Over FY13-22, the group has only written down a maximum of RM0.6m annually in inventories on a net basis.

Figure 48: Cash conversion cycle

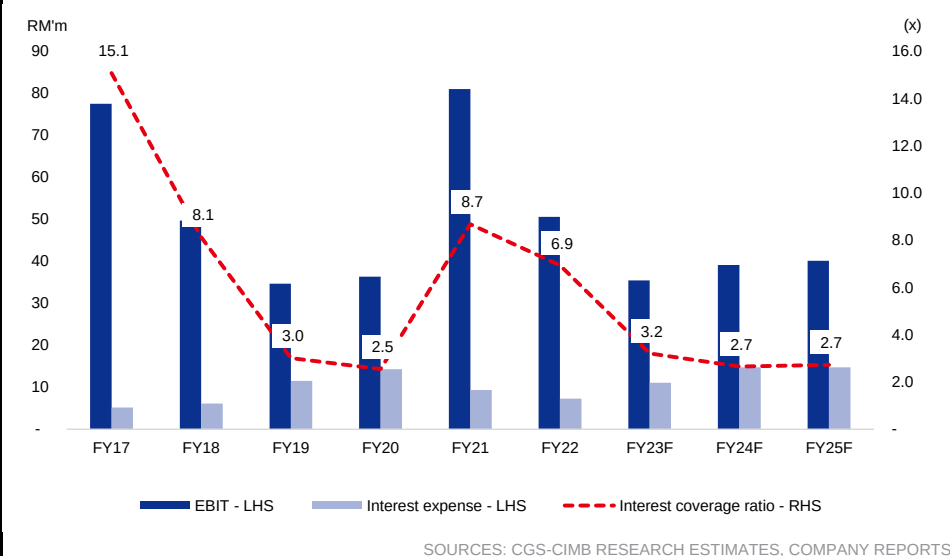
Days	FY18	FY19	FY20	FY21	FY22	FY23F	FY24F	FY25F
Inventories days	171	183	182	225	204	200	200	200
Trade & other receivable days	70	72	73	73	68	70	70	70
Trade & other payable days	106	99	93	117	112	110	110	110
Cash conversion cycle (days)	135	156	162	181	160	160	160	160

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Concerns over relatively low interest coverage ratios ➤

We note that the group's interest coverage ratio (EBIT/interest expense) is likely to trend lower to 3.2x/2.7x/2.7x in FY23F/24F/25F vs. FY21/22 coverage ratios of 8.7x/6.9x due mainly to lower EBIT forecasts of RM35m-40m, coupled with rising interest expenses. We forecast interest expenses to rise from RM7.3m in FY22 to RM11.1m-14.7m in FY23-25F to reflect higher interest rates of 3-4% vs. FY22 borrowing rates of 2.4%. We believe, the low coverage ratios relative to historical could be a cause of concern should the group underperform our EBIT forecasts for FY23-25F.

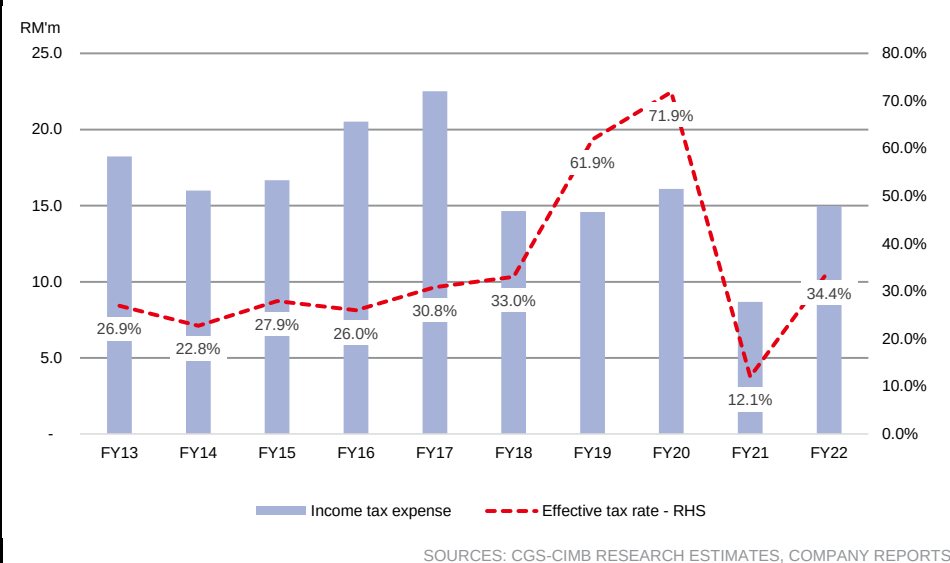
Figure 49: Interest coverage ratios relatively low



High effective tax rate owing to Vietnam losses ➤

We note that the group's effective tax rates trended higher in FY17/18 to 31%/33%, which we estimate was mainly due to its losses in Vietnam (NTPM ventured into Vietnam in FY15). This was further worsened in FY19 as the group added more capacity in Vietnam, leading to high effective tax rates of 62%/72% in FY19/20. While there was a sharp dip in FY21, we note that this was mainly due to deferred tax assets adjustments of RM9.2m owing to the utilisation of unabsorbed tax losses. Adjusting for this, the effective tax rate for FY20/21 was 27%/34%.

Figure 50: Higher effective tax rates from FY17 onwards owing to Vietnam division losses



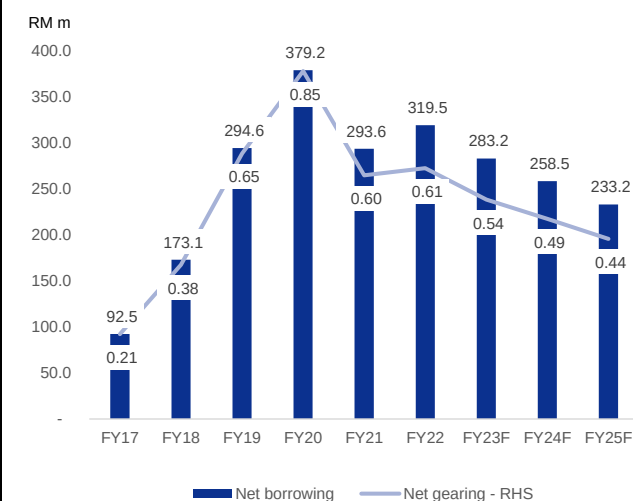
We anticipate effective tax rates to hover at 35% in FY23F as we project continued losses at its Vietnam division, which will likely eventually moderate to 26% in FY24-25F, as we project its Vietnam division to turn profitable in 2HFY23F and FY24-25F.

Projecting gearing levels to remain higher than FY17-18 ➤

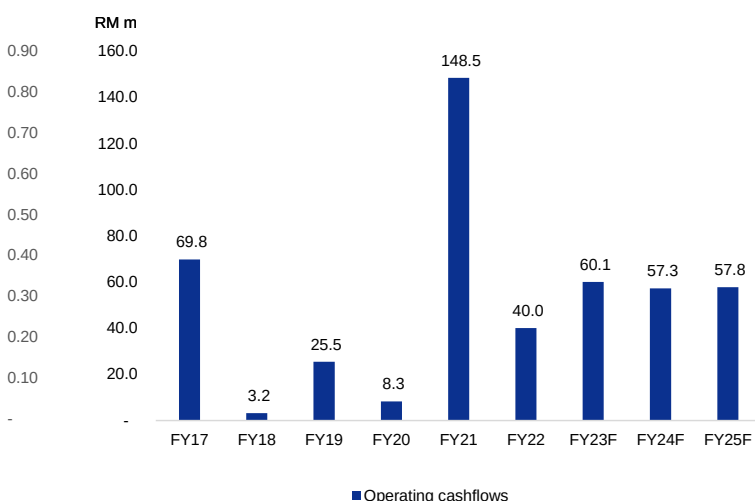
We expect NTPM to finance the projected capex in FY23-25F via decent operating cashflows of RM57m-60m. In addition, NTPM's decent operating cash flow generation should lower gearing to decent levels of 0.44-0.54x in FY23-25F. However, this is still higher relative to FY17-18 net gearing levels of 0.21-0.38x.

Figure 51: We anticipate reducing net gearing levels owing to...

Figure 52: ... decent operating cashflow



SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS



SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

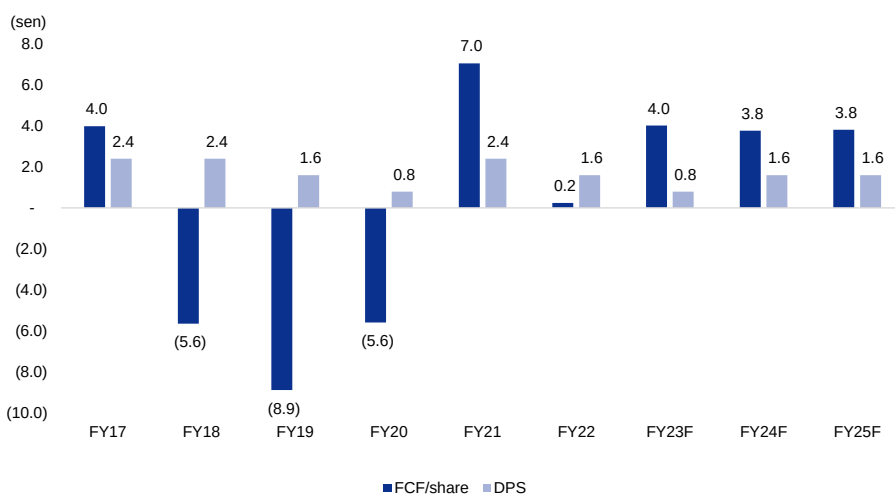
Higher free cashflow justifies dividend yield forecasts ➤

Given its lack of major capex and relatively decent levels of operating cashflow, we project NTPM to generate free cashflows of RM43m-45m for FY23-25F, which translates into FCF/share of 3.8-4.0 sen.

NTPM does not have a formal dividend policy, but in the past five years, NTPM has consistently paid out DPS in the range of 0.8 sen to 2.4 sen. This translates into a dividend payout ratio of 42-201%. We have assumed a DPS of 0.8 sen (56% dividend payout ratio) followed by a stable DPS of 1.6 sen (payout ratio of 94-98% for FY23-25F). This represents a dividend yield of 1.9-3.9% for FY23-25F.

We think our DPS assumptions are justified as we estimate that its FCF/share for FY23-25F should cover our DPS estimates.

Figure 53: NTPM's decent operating cashflow translates into increased FCF, which should allow the group to cover our dividend yield assumptions



SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

1QFY4/23 RESULTS REVIEW

Higher input and freight costs a drag on earnings ➤

NTPM recorded a core net profit decline of 42% yoy to RM4.5m (excluding forex losses of RM3.8m) vs. 1QFY4/22 core net profit of RM7.9m. 1QFY4/23 revenue rose 25% yoy on account of higher average selling prices (ASPs) as well as higher sales volumes for both the tissue and personal care segment. Nevertheless, this was unable to offset the impact of higher raw material costs (both pulp and wastepaper), higher freight costs, leading to a sharp EBITDA margin contraction of 4.4% pts to 10.3%. On a reported net profit basis, the group recorded RM1.1m, the lowest quarterly reported net profit since 2QFY4/19 (RM1.3m loss). NTPM declared an interim dividend of 0.8 sen, which represents a payout ratio of 830% (1QFY4/22 DPS: 0.8 sen).

Figure 54: Results comparison

FYE Apr 30 (RM m)	1Q FY23	1Q FY22	yoy % chg	4Q FY22	qoq % chg	Comments
Revenue	217	174	25	201	8	Higher revenue due to higher ASPs and higher sales volumes for both tissue and personal care product segments
Operating costs	(195)	(148)	31	(183)	7	Higher costs from higher pulp, wastepaper and freight costs
EBITDA	22	26	(12)	18	23	
EBITDA margin (%)	10.3	14.7	(4)	9.1	1	Decline in margins as higher raw material and freight costs offset higher ASPs
Depn & amort.	(14)	(12)	16	(10)	40	
EBIT	8	13	(37)	8	2	
Interest expense	(2)	(2)	30	(2)	17	
Interest & invt inc	0	0	17	0	29	
Exceptionals	(3)	8	na	1	na	Exceptional items mainly relating to forex gains/(losses)
Pretax profit	3	20	(86)	7	(61)	
Tax	(2)	(4)	(56)	(4)	(53)	
Tax rate (%)	61	19	>100	50	21	
Net profit	1.1	15.8	(93)	3.5	(69)	
Core net profit	4.5	7.9	(42)	2.8	61	Core net profit decline of 42% yoy to RM4.5m owing mainly to higher raw material and freight costs
EPS (sen)	0.1	1.4	(93)	0.3	(69)	
Core EPS (sen)	0.4	0.7	(42)	0.3	61	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Tissue segment key contributor to earnings decline... ➤

For 1QFY4/23, on a segmental basis, tissue segment revenues rose 25% yoy due mainly to better local sales, especially from the away-from-home segment, due to a recovery in economic activities. Nevertheless, tissue segment EBIT fell sharply into losses of RM4.3m vs. 1QFY4/22 EBIT of RM11.9m. The sharp EBITDA margin contraction of 12.7% pts was mainly due to higher virgin pulp and wastepaper, higher freight cost as well as forex losses. On a qoq basis, we witnessed a similar trend, with tissue segment EBIT margins contracting by 5% pts in 1QFY23 vs. 4QFY4/22.

...while personal care segment earnings grew sequentially ➤

For 1QFY4/23, on a segmental basis, personal care segment revenue rose 24% yoy due mainly to higher sales volumes and ASPs, especially for baby diapers. While this segment was also impacted by higher raw material and freight costs, leading to an EBITDA margin contraction of 3.6% pts, its EBIT only declined by 1% to RM9.3m. On a qoq basis, personal care segment EBIT grew by 58% as the higher ASPs and volumes offset the hike in raw material and freight costs, leading to EBITDA margin expansion of 4.2% pts.

Figure 55: Segmental breakdown

FYE Apr (RM m)	1Q FY23	1Q FY22	yoy % chg	4Q FY22	qoq % chg
Revenue					
Tissue Paper	151.5	120.8	25	142.0	7
Personal care	65.7	53.0	24	58.9	12
Total	217.2	173.8	25	200.8	8
EBIT					
Tissue Paper	(4.3)	11.9	na	3.0	na
Personal care	9.3	9.4	(1)	5.9	58
Total	5.0	21.3	(76)	9.0	(44)
EBIT margins					
			% pts		% pts
Tissue Paper	(2.9%)	9.9%	(12.7%)	2.1%	(5.0%)
Personal care	14.2%	17.8%	(3.6%)	10.1%	4.2%
Total	2.3%	12.3%	(10.0%)	4.5%	(2.2%)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Anticipate weaker 2QFY4/23F but better 2HFY4/23F as the group raises ASPs in an effort to maintain profitability ➤

In its 1QFY4/23 results announcement, NTPM shared that the operating environment remains challenging and uncertain owing to the price of raw materials, shipping costs, labour costs as well as stronger US\$. NTPM has increased its product prices progressively but it can only partially offset the increase in production costs due to the constraints of market conditions and competitors' pricing. NTPM further shared that while it expects demand for paper and personal care related products to remain relatively stable, in the shorter term, the group may not be able to maintain its profitability in the coming quarter.

We anticipate NTPM to book sequentially lower profits, potentially leading to losses in 2QFY4/23, as we reckon that higher raw material costs, stronger US\$ and higher freight costs are likely to offset sales order growth for both segments. Nevertheless, we anticipate sequentially better profits in 2HFY4/23F as we anticipate the group to raise ASPs for both tissue and personal care segment in an effort to maintain profitability, coupled with a decline in freight costs and a tapering of raw material prices. All in all, we forecast a core EPS decline of 26.6% for FY23F.

VALUATION AND RECOMMENDATION

Initiate coverage with a TP of RM0.42 ➤

We initiate coverage on NTPM with a Hold rating and a TP of RM0.42. Our TP is based on 0.9x CY23F P/BV, which is 1.5 s.d. below its 5-year (FY17-22) historical mean.

Figure 56: NTPM's P/BV valuation

P/BV valuation	
CY23F shareholders' funds (RM m)	525.6
No of shares (m)	1,123.0
Book value per share (RM)	0.47
P/BV multiple (x)	0.90
Target price (RM)	0.42

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

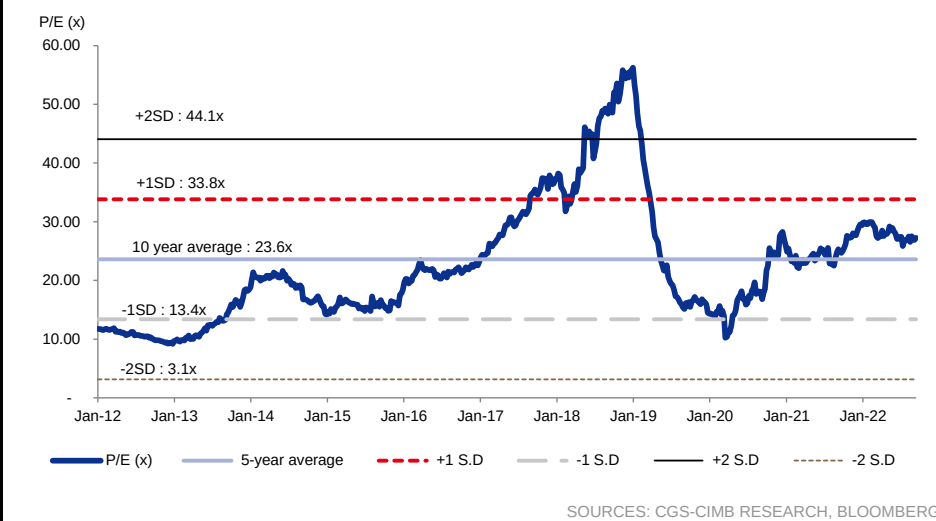
Figure 57: NTPM's 12M rolling forward P/BV



We use P/BV as our valuation methodology for NTPM as we believe that it is a better reflection of NTPM's valuations given the volatile nature of its raw material prices, namely pulp and wastepaper prices. NTPM's earnings are highly sensitive to both pulp and wastepaper prices, which have been extremely volatile in the recent years owing to drastic changes in the supply demand dynamics from import policy changes, as mentioned earlier.

Due to earnings volatility, the conventional P/E, EV/EBITDA or DCF valuation methods are not meaningful or reliable for the company at this juncture, in our view. Hence, we think that P/BV is the most appropriate valuation method for NTPM as the stock may trade at very high P/E valuations when the industry is in a downcycle from higher raw material prices, as was the case in FY18-19.

Figure 58: NTPM's 12M rolling forward P/E likely unreliable due to volatile nature of earnings, in our view.



Moreover, we think that the last 5-year period is a relevant time frame for historical comparisons. We reckon that this period best reflects the sector's current earnings profile, given the relatively high pulp and wastepaper prices in recent years since FY18.

The 1.5 s.d. discount to its mean reflects a 10% discount to its book value, which we believe is necessary, in our view, given the high levels of uncertainty in the

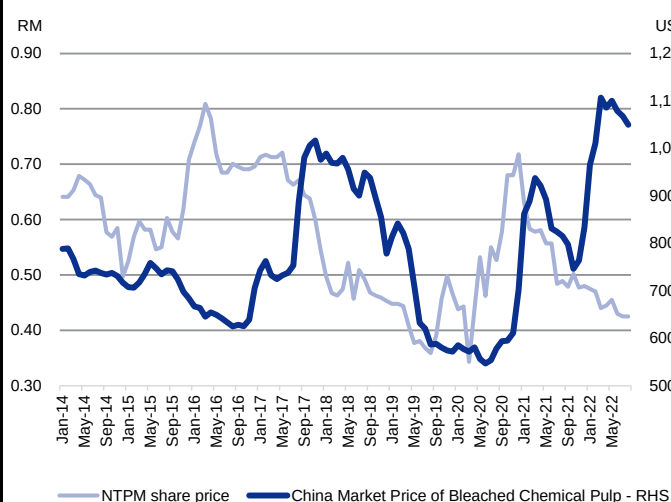
group's profitability as NTPM faces rising cost pressures from higher pulp and wastepaper prices, coupled with elevated freight levels.

We do believe, however, that NTPM is intrinsically worth at least 0.9x P/BV as NTPM continues to be profitable, as the personal care segment keeps earnings afloat, despite the challenging operating environment coupled with tough competitive conditions. The lowest book-value the group traded at was at 0.8x on 27 Mar 2020, which was essentially at the height of the Covid-19 pandemic lockdowns.

Despite NTPM's established market position as Malaysia's largest tissue manufacturer, we anticipate NTPM to face a challenging operating environment amid rising/high pulp and wastepaper prices coupled with uncertainties in other rising operating costs such as wages, utilities as well as elevated freight costs. As mentioned earlier, NTPM is likely to face limitations in fully passing on rising costs to consumers, which is further worsened by the large number of competitors in the region.

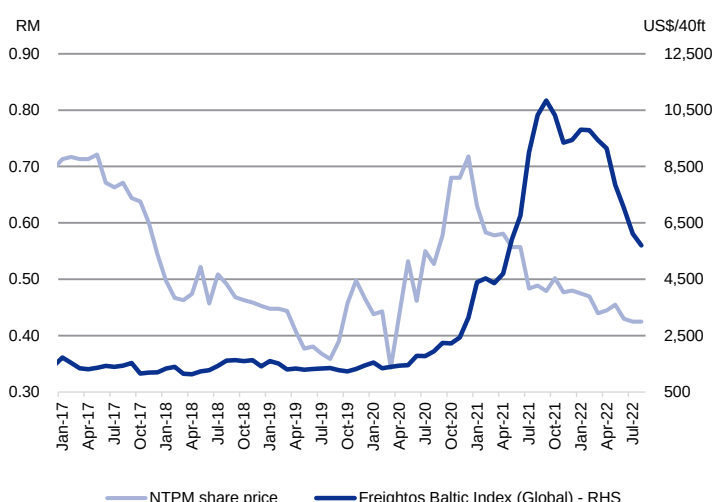
Nevertheless, we believe that the share price has broadly priced in these negative prospects over the last two years. The share price had corrected by 50% since 1 Jan 2021 to RM0.42 as at 26 Sep 2022. Since the company announced 1QFY4/23 results on 23 Sep 2022, in which it shared concerns over its ability to maintain profitability owing to rising input costs, NTPM's share price has fallen by only 3.5% to RM0.415, indicating that the market has broadly priced in these concerns, in our view.

Figure 59: NTPM share price vs. pulp price index



SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG

Figure 60: NTPM's share price vs. Freightos Baltic Index



SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG

In tandem with all of the above, we initiate coverage on NTPM with a Hold call and TP of RM0.42. Share price is supported by decent dividend yields of 3.9% in FY24-25F, in our view.

Upside risks include: i) lower-than-expected pulp and/or waste paper prices leading to margin accretions; ii) stronger-than-expected growth for its tissue segment sales from its Vietnam operations leading to better utilisation rates for its Vietnam operations, and iii) higher ASPs for personal care segment leading to better operating margins.

Downside risks include: i) higher-than-expected pulp and waste paper prices, freight costs or a weaker ringgit, all of which could lead to margin compressions; and ii) slower-than-expected growth in export markets for both segments leading to continued underutilisation of its facilities and weak operating margins.

Figure 61: Sector comparison – Global tissue manufacturers

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS	P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
						CY2022F	CY2023F		CY2022F	CY2023F	CY2022F	CY2023F	CY2022F	CY2023F	CY2022F	CY2023F
Global peers																
Hengan Intl Group	1044 HK	Hold	34.20	37.00	5,063	13.9	12.2	-12.4%	1.86	1.74	14.1%	14.8%	8.2	7.4	4.4%	5.0%
Vinda International Holdings	3331 HK	Hold	19.00	20.90	2,912	20.2	13.6	-4.2%	1.66	1.51	8.5%	11.6%	8.1	5.9	1.4%	2.1%
Procter & Gamble Co/The	PG US	NR	131.98	na	315,373	22.9	21.6	6.0%	6.91	6.84	32.2%	33.2%	16.8	15.7	2.7%	2.8%
Kimberly-Clark Corp	KMB US	NR	117.19	na	39,566	20.7	17.9	-5.1%	41.73	27.23	251.1%	196.9%	14.0	12.6	3.9%	4.0%
Unicharm Corp	8113 JP	NR	4,668.00	na	20,011	35.4	31.2	9.6%	4.66	4.27	13.8%	14.4%	17.1	15.7	0.8%	0.9%
C&S Paper Co Ltd-A	002511 CH	NR	10.32	na	1,888	21.0	16.6	-3.6%	2.43	2.16	10.9%	12.1%	12.0	9.8	1.0%	1.3%
Hangzhou Haoyue Personal C-A	605009 CH	NR	38.57	na	839	15.8	12.8	-9.8%	1.85	1.68	11.5%	12.7%	9.0	7.1	2.3%	2.6%
Chongqing Baiya Sanitary P-A	003006 CH	NR	9.37	na	562	18.1	14.6	12.7%	2.92	2.59	15.6%	17.2%	12.6	9.9	1.6%	2.7%
Simple average						21.0	17.6	-0.9%	8.01	6.00	44.7%	39.1%	12.2	10.5	2.3%	2.7%
Weighted average						23.1	21.4	4.7%	10.22	8.65	53.1%	48.4%	16.3	15.2	2.7%	2.9%
NTPM Holdings	NTPM MK	Hold	0.42	0.42	101	25.9	26.6	-26.0%	0.89	0.88	3.6%	3.4%	8.4	8.6	2.6%	3.2%

Data as at 28 Sep 2022

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

Note: Forecasts for Not Rated companies are based on Bloomberg consensus estimates

Figure 62: Sector comparison – Global personal product players under our coverage

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS	P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
						CY2022F	CY2023F	CAGR	CY2022F	CY2023F	CY2022F	CY2023F	CY2022F	CY2023F	CY2022F	CY2023F
LG Household & Health Care	051900 KS	Hold	653,000.00	700,000.00	7,168	17.2	17.9	-14.8%	1.74	1.70	10.7%	9.7%	7.4	8.2	1.8%	1.8%
Hengan Intl Group	1044 HK	Hold	34.20	37.00	5,063	13.9	12.2	-12.4%	1.86	1.74	14.1%	14.8%	8.2	7.4	4.4%	5.0%
Amorepacific Corp	090430 KS	Hold	108,000.00	130,000.00	4,440	31.0	24.7	105.2%	1.50	1.43	4.9%	6.0%	6.6	6.4	0.9%	0.9%
Vinda International Holdings	3331 HK	Hold	19.00	20.90	2,912	20.2	13.6	-4.2%	1.66	1.51	8.5%	11.6%	8.1	5.9	1.4%	2.1%
Marubi Biotechnology	603983 CH	Hold	26.50	22.30	1,483	39.6	33.2	-12.1%	3.27	3.06	8.8%	9.5%	31.3	25.9	0.7%	0.9%
Cosmax Inc	192820 KS	Add	54,200.00	103,000.00	432	8.9	6.1	59.9%	1.05	0.90	12.1%	16.1%	7.2	4.5	1.0%	1.0%
Karex Berhad	KAREX MK	Hold	0.34	0.40	78	245.2	34.5	29.0%	0.78	0.76	0.3%	2.2%	14.6	10.1	0.0%	0.0%
Simple average						53.7	20.3	21.5%	1.70	1.59	8.5%	10.0%	11.9	9.8	1.5%	1.7%
Weighted average						21.9	18.2	13.7%	1.80	1.70	9.9%	10.4%	9.2	8.5	2.1%	2.3%
NTPM Holdings	NTPM MK	Hold	0.42	0.42	101	25.9	26.6	-26.0%	0.89	0.88	3.6%	3.4%	8.4	8.6	2.6%	3.2%

Data as at 28 Sep 2022

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

APPENDIX

A: Board of directors and key management team as at 30 Apr 2022 ➤

Figure 63: Board of Directors' profiles

Name	Age	Designation	Background
Lee See Jin	83	Chairman cum Managing Director	General Mr. Lee See Jin (male), a Malaysian citizen, was appointed to the Board of Directors of NTPM Holdings Berhad ("NTPM") on 20 October 1996 and re-designated as Chairman-cum-Managing Director on 29 March 2019. He is a member of the Investment Committee of the company and is a Director of all subsidiaries of NTPM. Education He obtained his Higher School Certificate in 1960. Experience He is a founder of the group and has been in the paper industry for more than 40 years. Over these years, he has gained in-depth experience and knowledge of the paper industry in Malaysia. Conflict of interests He is the father of Mr. Lee Chong Choon, an Executive Director and a major shareholder of the company. He has no conflict of interest with the group. Other than in the company, Mr. Lee See Jin does not hold any directorship in public companies and public listed companies.
Lee Chong Choon	57	Executive Director and Group Chief Executive Officer	General Mr. Lee Chong Choon (male), a Malaysian citizen, was appointed to the Board of Directors of NTPM on 10 November 1999. He is the Chairman of the Risk Management Committee and a member of the Investment Committee of the company. He is an Executive Director of NTPM and a Director of all the subsidiaries of NTPM. Education He holds a Diploma in Civil Engineering from Singapore Polytechnic. Experience He has extensive experience in process engineering and has provided the NTPM Group with technical manufacturing experience expertise. He was the Financial Controller of Nibong Tebal Paper Mill Sdn. Bhd. from 1995 to 1997 and the Country Sales Manager of the entity from 1997 to 1999. He has also been instrumental in spearheading the progress of the group and the development of the group's products. Conflict of interests He is the son of Mr. Lee See Jin, the Chairman-cum-Managing Director and a major shareholder of the company. He has no conflict of interest with the group. Other than in NTPM, Mr. Lee Chong Choon does not hold any directorship in public companies and public listed companies.
Lim Han Nge	67	Senior Independent Non-Executive Director	General Mr. Lim Han Nge (male), a Malaysian citizen, was appointed as an Independent Non-Executive Director of NTPM on 29 January 2003 and was subsequently redesignated as Senior Independent Non-Executive Director on 26 June 2003. He is the Chairman of the Nominating Committee and also a member of the Audit Committee and Risk Management Committee of the Company. Education He graduated from Coventry University, United Kingdom, with a Bachelor of Arts (Honours) in Business Law. Thereafter, he qualified as a barrister (Lincoln's Inn, United Kingdom) in 1978 and was called to the Malaysian Bar in November 1979. Experience He is a practising advocate & solicitor and is currently a partner in the legal firm of Messrs. Jin-Nge & Co, Alor Setar. He is a Director of several private limited companies and is a legal adviser to several non-governmental organisations in Kedah. Conflict of interests He has no family relationship with other Directors and/or major shareholders of the company nor any conflict of interest with the group. Other than in the company, Mr. Lim Han Nge does not hold any directorship in public companies and public listed companies.

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 64: Board of Directors' profiles (cont')

Name	Age	Designation	Background
Chang Kong Foo	69	Independent Non-Executive Director	General Mr. Chang Kong Foo, aged 68, male, a Malaysian citizen, was appointed as an Independent Non-Executive Director of NTPM on 19 September 2008. He is the Chairman of the Audit Committee and Investment Committee and also a member of the Nominating Committee and Risk Management Committee of the Company.
			Education Mr. Chang graduated with a Bachelor in Management Studies from University of Waikato, New Zealand in 1978.
			Experience He commenced his career with Audit Office in New Zealand for 2 years, was with a Big Four accounting firm for a year, and a manager with an accounting firm in Butterworth for another 2 years. Mr. Chang set up his Professional Practices in 1982 and received his audit licence in 1983. He is a member of the Malaysian Institute of Accountants, a member of the Certified Tax Institute of Malaysia, and he is also an authorised tax agent licensed under the Income Tax Act 1967. He is a liquidator since 1999. He is also a Certified Financial Planner (CFP™) since 2003. Mr. Chang Kong Foo is the Chief Executive Officer of the KF Group of companies providing a multitude of financial services to clients in the Northern Region.
			Conflict of interests He has no family relationship with other Directors and/ or major shareholders of the Company, nor any conflict of interest with the Group.
Dr. Teoh Teik Toe	54	Non-Independent Non-Executive Director	General Dr. Teoh Teik Toe (male), a Singaporean citizen, was appointed to the Board of Directors of NTPM on 9 July 2004. He is a Non-Independent Non-Executive Director of NTPM. He is also a member of the Nominating Committee and Audit Committee of the Company.
			Education He has obtained two-doctorate degree, Doctor of Philosophy (PhD) in Computer Engineering from Nanyang Technological University (Singapore) and Doctor of Business Administration ("DBA") from University of Newcastle. He did his post-doctorate in Singapore University of Technology and Design. He also obtained Bachelor of Law (2nd Upper), Master of Law from University of London and another Master of Law from University of Singapore ("NUS"). He is a chartered holder of Chartered Financial Analyst ("CFA"), fellowship holder of Association of Chartered and Certified Accountants ("FCCA"), chartered holder of Chartered Institute of Management Accountant ("CIMA"), Chartered Accountant of Singapore, Chartered Accountant of Malaysia, Certified Public Accountant ("CPA") in Australia and Accredited Tax Professional ("ATP") in Singapore. He was awarded the Association of Chartered and Certified Accountants ("ACCA"). He also holds a degree of Bachelor of Science in Electrical Engineering (Hons), Master of Science in Computer Engineering, Master of Business Administration from the University of Newcastle (Australia), Master of Business Administration from the University of Southern Queensland (Australia) and Master of Accounting and Finance from University of Gloucestershire (UK). He is also a member of Mensa, Project Management Professional ("PMP") and Singapore Mediation Centre ("SMC").
			Experience His previous roles include Software Engineer at Hewlett Packard (Singapore) and Associate Director at Singapore University Technology and Design. He is currently an Academic Director and Senior Lecturer in Nanyang Business School, Nanyang Technological University (Singapore).
			Conflict of interests He is a nephew of the late Dato' Teoh Boon Beng @ Teoh Eng Kuan, a substantial shareholder of the Company. He has no conflict of interests with the Group. Other than our Company, Dr. Teoh Teik Toe does not hold any directorship in public companies and public listed companies.
Tan Choon Thye	68	Independent Non-Executive Director	General Mr. Tan Choon Thye (male), a Malaysian citizen, was appointed to the Board of Directors of NTPM on 20 March 2020. He is an Independent Non-Executive Director of NTPM. He is also a member of Audit Committee and Investment Committee of the Company.
			Education He graduated from University of Malaya in 1979 with a Bachelor of Electrical Engineering (Honours) and then received his Master of Business Administration from University of Hawaii, United States of America in 1982.
			Experience He has over 20 years of investment banking and 10 years of commercial banking experience being with CIMB banking group from July 1988 to January 2006 and from August 2007 to July 2019. During the period, he worked in Indonesia being seconded there as an Executive Director of PT CIMB Niaga Securities and in China being seconded there as a Deputy President, Bank of Yingkou, an investee bank of CIMB Bank and as the General Manager of CIMB Bank Shanghai Branch.
			Conflict of interests He has no family relationship with other Directors and/ or major shareholders of the Company, nor any conflict of interest with the Group. Other than our Company, Mr. Tan Choon Thye is also an Independent Non-Executive Director of Bank of Chengdu Co., Ltd., China, a bank listed in the Shanghai Stock Exchange.

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 65: Key management personnel profile

Name	Age	Designation	Background
Lee Chong Chat	59	Chief Operating Officer (Engineering)	General Lee Chong Chat (male), a Malaysian citizen, was appointed as the Chief Operating Officer (Engineering) of NTPM on 1 July 2004. He is the Director of Nibong Tebal Paper Mill Sdn. Bhd.. Education He obtained a Bachelor of Science Degree from Purdue University, United States ("US") in 1986 and Master of Science in Civil and Environmental Engineering from Utah State University, US in 1988. Experience After obtaining his Master of Science in Civil and Environmental Engineering from Utah State University, US in 1988, he joined CTL Environmental Services, US as a Project Engineer and then joined Ajit Randhava & Associates, US in 1990 as an Engineer. From 1992 to 1994, he worked as an Engineer in MMBP International Limited, Hong Kong. In 1994, he joined Bandar Bukit Kemuning Sdn. Bhd. as its Chief Engineer. Later in 1996, he joined Bridgecon Engineering Sdn. Bhd. as its Project Manager, before joining NTPM in 2000 as Senior Project Manager. He was promoted to Assistant General Manager of NTPM in 2000 before he assumes his current position. He is in charge of the Group's project engineering and initial capital start-up projects. He has been a member of the Board of Engineer, Malaysia since 1992. In 1995, he became a graduate member of the Institute Engineer of Malaysia and in 1996, he joined the Malaysian Institute of Management as an associate member. Conflict of interests He is the son of Mr. Lee See Jin, the Chairman cum Managing Director and a major shareholder of the Company. He has no conflict of interest with the Group. He does not hold any directorship in public companies and public listed companies.
Lee Hooi Fung	56	Chief Operating Officer (Procurement)	General Lee Hooi Fung (female), a Malaysian citizen, was appointed as the Chief Operating Officer (Procurement) of NTPM on 1 March 2011. She is a Director of NTPM (Singapore) Pte. Ltd. Education She completed her Fifth Form education in 1984. Experience She joined NTPM in 1999 as the Purchasing Manager. She was the Assistant General Manager (Procurement) from 2004 to 2011 before she assumes her current position. Prior to joining NTPM, she was a partner in a private company involved in transportation. She is jointly in charge of the Group's procurement and led the Group's logistics services. Conflict of interests She is the daughter of Mr. Lee See Jin, the Chairman cum Managing Director and a major shareholder of the Company. She has no conflict of interest with the Group. She does not hold any directorships in public companies and public listed companies.
Lee Chong Loo	57	Chief Operating Officer (Operation)	General Lee Chong Loo, aged 56, male, a Malaysian citizen, was appointed as the Chief Operating Officer (Operation) of NTPM on 1 March 2011. He is also a Director of Nibong Tebal Enterprise Sdn. Bhd. ("NTE"). Education He holds an Advance Diploma (ABE) from Kolej Damansara Utama. Experience He joined NTPM in 1983 as the Transport and Store Manager. In 1993, he joined Kuang Tat Food Sdn. Bhd. as the Production and General Manager. Following that, he returned to NTPM in 2001 as the Procurement Manager. He was the Assistant General Manager (Procurement) from 2004 to 2011 before he assumed his current position. He leads the sales operation in Thailand and is jointly in charge of the group's procurement. Conflict of interests He is the son of Mr. Lee See Jin, the Chairman-cum-Managing Director and a major shareholder of the company. He has no conflict of interest with the group. He does not hold any directorship in public companies and public listed companies.
Tan Chee Seng	57	Executive Director – Manufacturing of NTPM	General Tan Chee Seng (male) a Malaysian citizen, was appointed as the Executive Director (Manufacturing) of NTPM on 1 October 2009. Education He holds a Bachelor Degree in Applied Science (Honours) from University Science Malaysia. Experience He worked at Prime Pharmaceutical Sdn. Bhd., a local pharmaceutical factory for three (3) years before joining NTPM in April 1993 as a Production Engineer. He has held numerous positions in NTPM, including Engineering Section Manager, Senior Engineering Section Manager, Manufacturing Assistant General Manager and Manufacturing General Manager before he assumed his current role. He is in charge of NTPM's tissue business manufacturing processes. Conflict of interests He has no family relationship with other directors and/or major shareholders of the company. He has no any conflict of interest with the group. He does not hold any directorship in public companies and public listed companies.

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

ESG

ESG in a nutshell



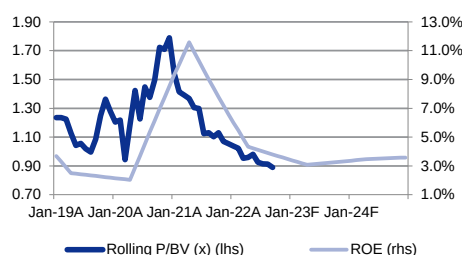
Nibong Tebal Paper Mills Holdings Berhad (NTPM) is primarily focused on the manufacture and distribution of tissue paper and personal care products. It provides products under various brand names, such as Premier, Cutie, Royal Gold, Budget, Intimate, and Diapex. Besides NTPM's adoption of United Nation's Sustainable Development Goals (UNSDG), the group's sustainability initiatives are driven by the "Environmental Choice New Zealand (ECNZ) Ecolabelling" programme's principles and criteria.

Keep your eye on	Implications
In FY22, two out of NTPM's three independent directors exceeded the limit of 12 years set by Bursa Malaysia; they have been on its board for 14 and 19 years, respectively. Moreover, none of the directors appointed to the board are female, contrary to Bursa Malaysia's requirement of having at least one female director.	This non-compliance with the requirements set by Bursa Malaysia will not lead to any detrimental implication for now as listed companies are given a deadline of 1 Jun 2023 to meet such obligations. All long-serving independent directors affected by this regulation must resign or be re-designated as non-independent directors by 1 Jun 2023. Furthermore, we reckon NTPM will have to appoint a female director to its board by the stipulated deadline to avoid any potential complications.
ESG highlights	Implications
In FY22, 100% of NTPM's procured wood pulp was certified by recognised forest management standards and 99% of its procured recycled fibre was derived from recycled sources with a minimum 50% from post-consumer sources. Additionally, NTPM commenced core board production in FY22 where it uses recycled waste-water sludge for core board production instead of sending it to the landfill.	We are positive on NTPM's efforts in this area. In our view, its efforts in procuring raw materials from certified sources, coupled with its waste management efforts demonstrate the group's commitment towards sustainable development and could help to minimise allegations from external parties.
Trends	Implications
NTPM supports the use of post-consumer materials to maximise the use of produced goods. NTPM collaborates with major wastepaper collectors in Malaysia and industrial printers to minimise wood fibre ending up in landfills, besides extending its lifecycle. Moreover, NTPM is transparent in its sustainability disclosures and provides the public with information on its carbon emissions and energy consumption, and its progress in achieving its five-year targets which it set in FY22. In FY22, the group lowered its carbon emission target to not exceeding 1,000kg of CO₂ per tonne of paper produced, vs. FY21's target of not exceeding 1,500kg of CO₂, with NTPM recording an average carbon emission of 881kg of CO₂ per tonne of paper in FY22.	We are overall favourable on its initiatives and progress so far as it strengthens the group's commitment towards the UNSDG and is in line with its internal five-year sustainability goals.

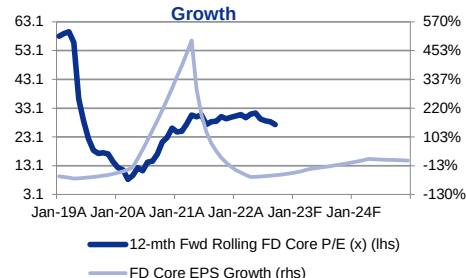
SOURCES: CGS-CIMB RESEARCH, REFINITIV

BY THE NUMBERS

P/BV vs ROE



12-mth Fwd FD Core P/E vs FD Core EPS Growth



Profit & Loss

(RMm)	Apr-21A	Apr-22A	Apr-23F	Apr-24F	Apr-25F
Total Net Revenues	749.7	764.9	812.1	830.7	855.6
Gross Profit	404.4	378.0	414.6	418.3	430.0
Operating EBITDA	126.0	98.2	81.4	85.7	87.3
Depreciation And Amortisation	(44.9)	(47.6)	(45.9)	(46.6)	(47.2)
Operating EBIT	81.0	50.6	35.5	39.1	40.1
Financial Income/(Expense)	(9.1)	(7.1)	(10.9)	(14.4)	(14.2)
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	72.0	43.5	24.6	24.7	25.9
Exceptional Items					
Pre-tax Profit	72.0	43.5	24.6	24.7	25.9
Taxation	(8.7)	(15.0)	(8.5)	(6.4)	(6.7)
Exceptional Income - post-tax					
Profit After Tax	63.3	28.5	16.1	18.3	19.2
Minority Interests	0.0	0.0	0.0	0.0	0.0
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	63.3	28.5	16.1	18.3	19.2
Recurring Net Profit	54.3	21.9	16.1	18.3	19.2
Fully Diluted Recurring Net Profit	54.3	21.9	16.1	18.3	19.2

Cash Flow

(RMm)	Apr-21A	Apr-22A	Apr-23F	Apr-24F	Apr-25F
EBITDA	126.0	98.2	81.4	85.7	87.3
Cash Flow from Inv. & Assoc.	(12.6)	0.0	0.0	0.0	0.0
Change In Working Capital	44.1	(22.9)	(1.8)	(7.3)	(8.1)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	18.4	(6.5)	0.0	0.0	0.0
Net Interest (Paid)/Received	(9.2)	(7.2)	(11.1)	(14.7)	(14.7)
Tax Paid	(18.2)	(21.7)	(8.5)	(6.4)	(6.7)
Cashflow From Operations	148.5	40.0	60.1	57.3	57.8
Capex	(69.4)	(37.3)	(15.0)	(15.0)	(15.0)
Disposals Of FAs/subsidiaries	29.6	0.2	0.0	0.0	0.0
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	0.2	(0.2)	0.2	0.3	0.6
Cash Flow From Investing	(39.5)	(37.3)	(14.8)	(14.7)	(14.4)
Debt Raised/(repaid)	(76.8)	15.2	0.0	0.0	0.0
Proceeds From Issue Of Shares					
Shares Repurchased	0.0	0.0	0.0	0.0	0.0
Dividends Paid	(27.0)	(18.0)	(9.0)	(18.0)	(18.0)
Preferred Dividends					
Other Financing Cashflow	(2.3)	(2.4)	0.0	0.0	0.0
Cash Flow From Financing	(106.1)	(5.2)	(9.0)	(18.0)	(18.0)
Total Cash Generated	2.9	(2.5)	36.3	24.7	25.4
Free Cashflow To Equity	32.1	17.9	45.2	42.6	43.3
Free Cashflow To Firm	118.1	9.9	56.3	57.4	58.1

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Apr-21A	Apr-22A	Apr-23F	Apr-24F	Apr-25F
Total Cash And Equivalents	51.5	49.2	85.4	110.1	135.4
Total Debtors	142.6	160.0	165.7	169.3	174.1
Inventories	204.1	228.1	217.8	226.0	233.2
Total Other Current Assets	0.0	0.0	0.0	0.0	0.0
Total Current Assets	398.2	437.2	468.9	505.3	542.7
Fixed Assets	591.8	620.4	589.5	557.9	525.7
Total Investments	0.0	0.0	0.0	0.0	0.0
Intangible Assets	0.0	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	0.9	0.9	0.9	0.9	0.9
Total Non-current Assets	592.7	621.3	590.4	558.8	526.6
Short-term Debt	298.1	334.8	334.8	334.8	334.8
Current Portion of Long-Term Debt					
Total Creditors	114.4	126.8	120.5	125.0	129.0
Other Current Liabilities	2.6	3.1	3.1	3.1	3.1
Total Current Liabilities	415.1	464.6	458.3	462.8	466.8
Total Long-term Debt	47.1	33.9	33.9	33.9	33.9
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0.0	0.0	0.0	0.0	0.0
Total Non-current Liabilities	47.1	33.9	33.9	33.9	33.9
Total Provisions	36.3	39.2	39.2	39.2	39.2
Total Liabilities	498.4	537.7	531.4	535.9	539.9
Shareholders' Equity	492.4	520.8	527.9	528.3	529.5
Minority Interests					
Total Equity	492.4	520.8	527.9	528.3	529.5

Key Ratios

	Apr-21A	Apr-22A	Apr-23F	Apr-24F	Apr-25F
Revenue Growth	(3.69%)	2.03%	6.17%	2.29%	3.00%
Operating EBITDA Growth	67.3%	(22.1%)	(17.1%)	5.3%	1.9%
Operating EBITDA Margin	16.8%	12.8%	10.0%	10.3%	10.2%
Net Cash Per Share (RM)	-0.26	-0.28	-0.25	-0.23	-0.21
BVPS (RM)	0.44	0.46	0.47	0.47	0.47
Gross Interest Cover	8.68	6.94	3.21	2.66	2.72
Effective Tax Rate	12.1%	34.4%	34.4%	26.0%	26.0%
Net Dividend Payout Ratio	42.6%	63.0%	55.8%	98.1%	93.7%
Accounts Receivables Days	73.00	67.90	68.71	69.40	68.98
Inventory Days	224.5	203.9	204.7	196.9	196.9
Accounts Payables Days	117.0	112.2	112.9	108.3	108.3
ROIC (%)	9.39%	6.16%	4.03%	4.60%	4.86%
ROCE (%)	9.22%	5.73%	3.89%	4.29%	4.41%
Return On Average Assets	7.18%	3.48%	2.55%	3.08%	3.13%

Key Drivers

	Apr-21A	Apr-22A	Apr-23F	Apr-24F	Apr-25F
Tissue segment PBT margins (%)	6.6%	2.1%	-0.5%	-0.6%	-0.8%
Personal care segment PBT margins (%)	16.6%	13.9%	11.5%	11.5%	12.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
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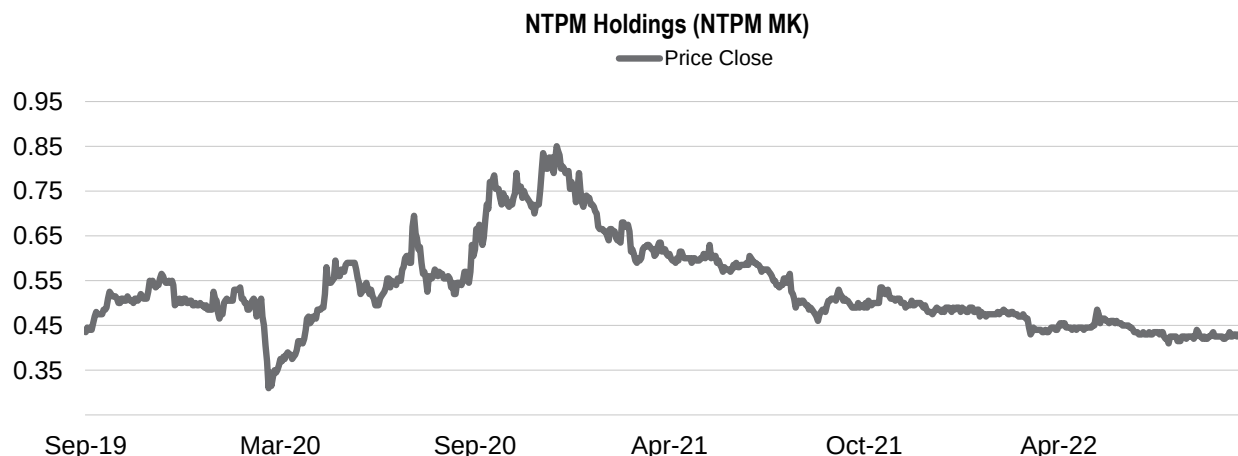
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2022		
643 companies under coverage for quarter ended on 30 June 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	68.4%	0.8%
Hold	24.6%	0.0%
Reduce	7.0%	0.2%

Spitzer Chart for stock being researched (2 year data)



Recommendation Framework

Stock Ratings

Definition:

Add

The stock's total return is expected to exceed 10% over the next 12 months.

Hold

The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

Reduce

The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight

An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.

Neutral

A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

Underweight

An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight

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Neutral

A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

Underweight

An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.