Polymer Link Holdings Berhad (POLYMER)

Positioning for Growth in Australia

- **The Group is primarily engaged in the manufacturing of plastic powder for both general and specialty applications, encompassing formulation, compounding, and grinding processes.**
- **We reckon a decent year of improvement in FY26f, underpinned by higher backloaded orders expected in the latter half of the year, underpinned by the commencement of the Australian warehouse.**
- **We assign a target PER of 16.0x, based on FY26F EPS, which translates into a fair value of RM0.32 per share. We view this valuation as justified, given that our selected plastic-related peers trade at 14.4x–15.9x trailing and forward P/E multiples.**

Investment Merits

A home-grown plastic powder supplier. Since commencement of manufacturing operation in 2014, POLYMER boasts a remarkable 11-year track record as a specialist in the plastics powder manufacturing industry, earning notable accreditations from Alps Polymer (M) Sdn Bhd and Outback Philippines for the Best Supplier Award; underpinned by its strong R&D capabilities. POLYMER's products are mainly supplied to roto-moulders, manufacturers as well as direct customers.

The new frontier in Australia benefitting POLYMER… We think POLYMER is at a sweet spot to capture outsized demand within Australian's plastic industry. According to AiGroup, manufacturers' input costs have surged by an astonishing 37.5%, outpacing the growth in both industrial and consumer prices, which rose by 20.0% and 22.2% respectively over the past five years. Factoring in the new National Minimum Wage of AUD948/week (c.AUD4,000/month), we view that Australian manufacturers are facing pressure to remain competitive as input costs continue to rise.

…given competitiveness are the least to worries. To reflect how crucial these structural changes have been for manufacturers, Australian Price Plastics has just fallen into administration, leaving creditors and employees owed millions, underpinned by rising input costs. Besides that, the new ESG policies has sent Australia's largest plastics and manufacturers, Qenos with multimillion-dollar losses with a factory slated to close given the country's lack of recycling capabilities. To put it simply, Australian plastics manufacturers are unable to meet the policy standards set by its government.

War chest from IPO proceeds to continue legacy of excellence. We deem POLYMER's strategy of tapping into the Australian market are paying off, growing at a staggering 1,700% CAGR over the last two years, with FY25f expected to reach c.RM20.6m. Note that approximately 20.7% of the IPO proceeds (c. RM5.0m) will be allocated to setting up a warehouse in Australia, with an estimated built-up area of around 2,500 sq.ft., strategically located near Brisbane Port and one of its major customers, Tankpool. We opine that this expansion is key to meeting rising demand in Australia.

Malaysia Factory to reach saturated utilisation rate. Following that, we project POLYMER's Malaysia factory to reach >70% utilisation by the end of FY26f and >80% in FY27f, as we think the setup of the Australian warehouse provides POLYMER with a cost advantage over its Australian peers. Moreover, we think POLYMER's PATMI margins of ~6-8% over FY22–24 reflects management's capability to remain competitive in Australia.

IPO Note – Not rated

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Non-Rated

Share price	**RM0.25**
Target price	**RM0.32**
Previous TP	-
Capital upside	28.0%
Dividend return	4.0%
Total return	32.0%

Group profile

Polymer Link Holdings Berhad manufactures plastic powder for general and specialty applications, alongside masterbatch production, toll manufacturing, and contract roto-moulding. It plans to discontinue non-core trading activities to focus on core operations. The Group operates manufacturing facilities in Malaysia, the Philippines, and India, with sales offices in Australia and the U.S.

Stock information

Bursa Code	0381
Bloomberg ticker	POLYMER MK
Listing market	ACE
Share issued (m)	560.0
Market Cap (m)	140.0
Shariah compliant	YES

Major shareholders %

Dr. Paul James Nugent	23.3
Argel Joseph Baculo	11.7
Geeslin Montemayor	11.7

Earnings snapshot

FYE (Sep)	FY24	FY25f	FY26f
PATMI (m)	11.0	10.5	11.3
EPS (sen)	1.97	1.88	2.02
P/E (x)	12.7	13.3	12.4

Timetable of IPO

Opening of application	4 November
Closing of application	11 November
Balloting of application	13 November
Allotment of the IPO shares	21 November
Listing on the MAIN market	25 November

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Company Background

Polymer Link Holdings Berhad is primarily engaged in the manufacturing of plastic powder for both general and specialty applications, encompassing formulation, compounding, and grinding processes. The Group also undertakes the production of masterbatch, toll manufacturing, and contract roto-moulding services. Moving forward, the Group intends to discontinue its trading of equipment, related products, and maintenance services to streamline operations and focus on its core plastic powder manufacturing business.

The Group operates across several countries, with manufacturing and sales facilities in Malaysia, the Philippines, and India, as well as sales and marketing offices in Australia and the United States.

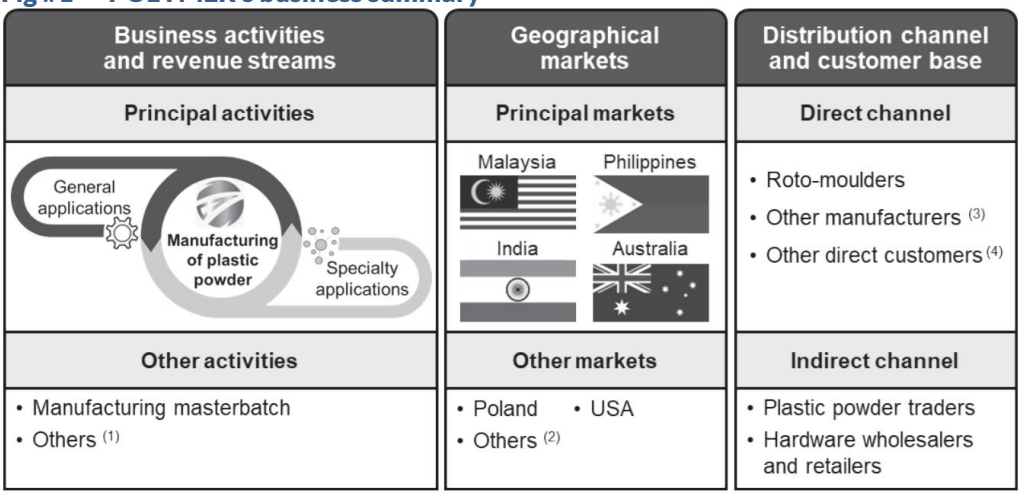
Its business operations are divided into the following segments:

i. **Plastic powder for general applications (66.7% of FPE25 Revenue):** Designed for everyday use under normal conditions, primarily produced from compounded plastic, with a minor portion made from non-compounded plastic.

ii. **Plastic powder for specialty applications (30.1% of FPE25 Revenue):** Developed for use in demanding environments, entirely produced from compounded plastic to achieve specific properties and performance standards.

iii. **Masterbatch manufacturing (2.5% of FPE25 Revenue):** Involves producing masterbatch both for internal use and external sale. Masterbatch consists of a blend of pigments and additives combined with a carrier resin, typically in pellet form.

Fig #1 POLYMER's business summary



Source: Polymer Link Holdings Berhad

Fig #2 Utilisation of Proceeds

Use of proceeds	RM'm	%	Estimated time frame
Expansion of its Australia operations	5.0	20.7%	Within 24 months
Working capital	6.2	25.5%	Within 24 months
Capital expenditure	3.6	14.9%	Within 36 months
Repayment of bank borrowings	2.0	8.2%	Immediate
Estimated listing expenses	7.4	30.7%	Immediate
Total	24.3	100.0%	

Source: Polymer Link Holdings Berhad

Financial Highlights

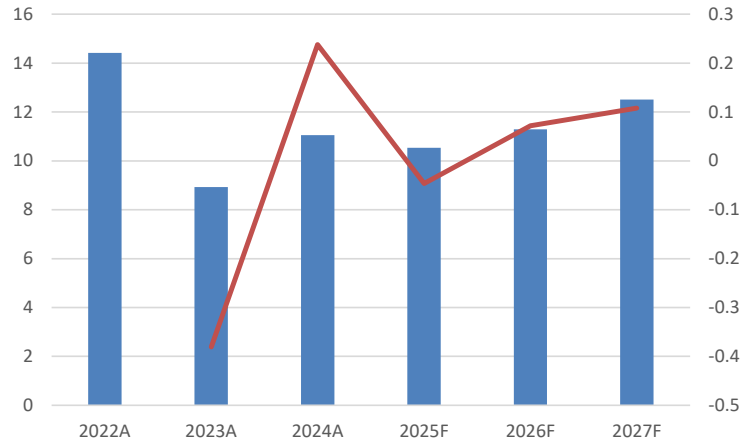
Financial highlights. POLYMER's revenue eased from RM151.4m in FY22 to RM145.4m in FY24, translating into a 2-year CAGR of -2.0%. The decline was mainly attributed to weaker demand from the Philippines and India. However, this was partially offset by stronger turnover from Australia, where revenue rose from RM0.06m in FY22 to RM19.7m in FY24, registering a 2-year CAGR of approximately 1,700%, following the establishment of Polymer Link Australia and the onboarding of Tankpool Pty Ltd as a key customer.

Breaking down, General Powder remained the largest contributor, accounting for 64.7% of total turnover in FY24 (FY23: 58.0%), increasing 22.0% YoY to RM94.0m on the back of 17 new customers from Australia and Fiji. Meanwhile, Specialty Powder declined by 9.2% YoY to RM44.6m due to reduced orders from key Indian customer OK Play Group, though partially cushioned by sales to 30 new customers.

Earnings forecast. For FY25f, we reckon that POLYMER will record slower turnover growth, mainly due to weaker orders from the Philippines, with utilisation expected to reach only 33.9% (FY24: 41.0%). Nevertheless, we deem that the Malaysian factory should offset the slowdown, as it is currently operating at >65% (FY23: 61%) utilisation as of the LPD.

We also anticipate a solid year of improvement in FY26f, underpinned by higher backloaded orders expected in the latter half of the year, alongside the commencement of the Australian warehouse, which should contribute to healthier turnover for the Group. Hence, we project PATMI to grow at a CAGR of 4.2% over the next three years, reaching RM10.5m, RM11.3m, and RM12.5m respectively.

Fig #3 Earnings forecast



Source: Polymer Link Holdings Berhad

Moreover, POLYMER is committed to a minimum payout ratio of 50% of PATMI, translating into prospective dividend yields of 3.8%, 4.0%, and 4.5% for FY25–FY27f, respectively.

Valuation

Valuation. We assign a target PER of 16.0x, based on FY26F EPS, which translates into a fair value of RM0.32 per share. Although there are no direct comparable domestic peers, we view this valuation as justified, given that our selected plastic-related peers trade at 14.4x–15.9x trailing and forward PER multiples.

Fig #4 Peers comparison

Company	Market Group	FYE	Price (RM)	Market Cap (RM'm)	P/E (x)	Forward P/E (x)	ROE (%)	NP Margin (%)
Polymer Link Holdings Bhd	**Ace**	**Sep**	**0.25**	**140.00**	**12.7**	**13.3**	**17.1**	**7.6**
CYL Corp BHD	MAIN	Dec	0.36	36.0	12.9	NM	2.4	(0.8)
Scientex Packaging Ayer Keroh	MAIN	Dec	1.42	497.9	18.5	NM	6.6	3.8
BP Plastics Holding Bhd	MAIN	Dec	0.66	184.4	17.1	8.9	4.0	4.4
SLP Resources Bhd	MAIN	Dec	0.80	253.6	20.5	22.9	6.9	8.7
Karyon Industries Bhd	MAIN	Dec	0.16	73.7	8.0	NM	7.3	5.0
Resintech Bhd	MAIN	Dec	0.60	116.6	9.7	NM	6.1	9.0
Avg ex-Polymer Link Holdings Bhd				**193.7**	**14.4**	**15.9**	**5.5**	**5.0**

*Source: M+ Research (*FY25, **FY26f)*

Investment risks

Dependency on major customers. The Group relies heavily on key customers, particularly Outback Philippines and the OK Play Group.

Economic, social, political and regulatory risks. Changes in the economic, social and political landscape, which may give rise to unfavourable tariffs, embargos, etc.

Fig #5 Financial forecast

FYE Sep (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Revenue	132.8	145.4	143.9	152.9	168.1
EBITDA	21.6	23.8	23.5	24.9	27.3
EBIT	18.1	20.0	19.1	20.0	22.0
PBT	16.3	18.3	17.1	18.4	20.3
PAT	13.6	15.0	14.0	15.1	16.7
PATMI – Core	8.9	11.0	10.5	11.3	12.5
PATMI – Reported	8.9	11.0	10.5	11.3	12.5
% change YoY – Core PATMI	-38.1%	23.8%	-4.6%	7.2%	10.8%
Core EPS (sen)	1.59	1.97	1.88	2.02	2.23
P/E (x)	15.7	12.7	13.3	12.4	11.2
EV/EBITDA (x)	3.9	3.5	3.5	3.3	3.1
DPS (sen)	1.2	-	0.9	1.0	1.1
Yield (%)	5.0%	0.0%	3.8%	4.0%	4.5%
BVPS (RM/share)	0.1	0.1	0.2	0.2	0.2
P/B (x)	2.4	2.0	1.4	1.4	1.3
ROE (%)	15.6%	17.1%	12.6%	11.3%	11.8%
Net Gearing (%)	61.0%	66.5%	17.1%	16.4%	16.4%

M+ Research

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Stock recommendation guide

BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned