

# Topmix (TOPMIX MK)

## Road To The Top; Sawadee Thailand

Not Rated

Fair Value (Return): MYR0.72 (52.63%)  
Price: MYR0.475  
Market Cap: USD42.8m  
Avg Daily Turnover (MYR/USD) 1.25m/0.27m

- **MYR0.72 FV based on 15x FY25F P/E.** As one of Malaysia's Top 3 decorative surface providers, Topmix is poised to benefit from the growing property market and a stronger MYR given its role as an importer of raw materials. The company's focus on brand growth, geographic expansion, particularly into the Thai market, and product diversification into affordable surface materials is expected to drive a 38.3% earnings CAGR from FY23-26F. With above-average earnings growth, Topmix's FY25F P/E of 10x is attractive compared to the 20x forward P/E of its local peers.
- **Riding the property boom.** High-pressure laminate (HPL) products are widely used in residential and commercial properties, which made up 71% of property transactions in 1Q24, according to the National Property Information Centre (NAPIC). With a strong 2024 outlook for Malaysia's property market, Topmix is well-positioned to benefit, especially in Johor, where it leads the southern market amid rising foreign investment and the ongoing Johor Bahru-Singapore Rapid Transit System (RTS)-Link project.
- **Net beneficiary of stronger MYR.** Its HPL products are priced >40% lower than foreign counterparts allowing the company to maintain low demand elasticity and increase selling prices annually by at least 2%. Without raising prices this year, we anticipate to see further margin expansion from lower raw material costs, benefiting from the strengthening MYR as most of its raw materials are imported from China (CNY) and South Korea (USD).
- **Expanding to a major global HPL importer, Thailand.** To expand market share locally, Topmix will increase its central region warehouse capacity by up to 2x and establish its presence in Penang. In Thailand, where the population is more than twice to that of Malaysia, Topmix is venturing into a larger market through a 35%-owned associate, Favor Topmix (Thailand). This move is strategic – leveraging on its partners' strong distribution channels and a solid customer base in Thailand as the country has become the world's second-largest importer of HPL, with 10,614 shipments from Mar 2023 to Feb 2024, capturing 22% of the global market share (Volza Grow Global).
- **Venture into affordability.** Topmix will begin manufacturing melamine faced chipboards (MFC) by October to offer cost-effective surface materials to existing customers, particularly budget-conscious property developers, and new target customers – furniture manufacturers in Malaysia.
- **Earnings forecast and valuation.** We project a 3-year earnings CAGR of 38.3%, and ascribe 15x P/E to its FY25F EPS to derive MYR0.72 FV, in line with the 15x 5-year average of 2-year forward P/E of the Bursa Malaysia Industrial Production Index (KLPRO). Key risks: Shortage of supplies, absence of long-term contracts, FX fluctuations, and market trend changes.

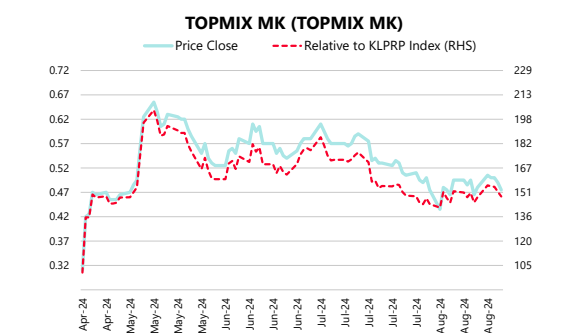
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### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	0.0	(11.2)	(20.8)	0.0	0.0
Relative	0.0	(1.2)	(14.4)	0.0	0.0
52-wk Price low/high (MYR)				0.31	-0.66



Source: Bloomberg

Forecasts and Valuation	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Total turnover (MYRm)	66	73	93	124	151
Recurring net profit (MYRm)	9	9	12	19	24
Recurring net profit growth (%)	93.1	1.1	43.3	54.1	23.6
Recurring P/E (x)	17.33	17.14	13.56	9.83	7.96
P/B (x)	5.0	3.9	2.6	2.1	1.8
P/CF (x)	18.38	33.24	16.10	15.59	10.88
Dividend Yield (%)	na	0.5	1.2	2.0	2.5
EV/EBITDA (x)	12.02	11.53	8.24	6.11	4.70
Return on average equity (%)	33.9	27.0	23.7	23.8	24.2
Net debt to equity (%)	63.1	45.4	net cash	net cash	net cash

Source: Company data, RHB

### Note:

Small cap stocks are defined as companies with a market capitalisation of less than USD0.5bn.

26 August 2024

Industrials | Industrial Products

## Financial Exhibits

<b>Asia</b>	<b>Financial summary (MYR)</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24F</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
Malaysia	Recurring EPS	0.03	0.03	0.04	0.05	0.06
Industrials	DPS	-	0.00	0.01	0.01	0.01
<b>Topmix</b>	BVPS	0.09	0.12	0.18	0.22	0.27
TOPMIX MK	Return on average equity (%)	33.9	27.0	23.7	23.8	24.2
Not Rated						
	<b>Valuation metrics</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24F</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
	Recurring P/E (x)	17.33	17.14	13.56	9.83	7.96
	P/B (x)	5.0	3.9	2.6	2.1	1.8
	FCF Yield (%)	5.0	3.1	4.3	5.1	8.7
	Dividend Yield (%)	-	0.5	1.2	2.0	2.5
	EV/EBITDA (x)	12.02	11.53	8.24	6.11	4.70
	EV/EBIT (x)	12.98	12.52	8.80	6.41	4.90
	<b>Income statement (MYRm)</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24F</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
	Total turnover	65.8	72.7	93.3	124.4	151.4
	Gross profit	23.5	26.0	34.5	48.5	59.1
	EBITDA	13.9	14.3	19.0	27.8	33.9
	Depreciation and amortisation	(1.0)	(1.1)	(1.2)	(1.3)	(1.4)
	Operating profit	12.8	13.2	17.8	26.5	32.5
	Net interest	(1.2)	(1.2)	(1.0)	(0.8)	(0.7)
	Pre-tax profit	11.6	12.6	17.8	25.7	31.8
	Taxation	(3.1)	(3.5)	(4.7)	(6.7)	(8.3)
	Reported net profit	8.5	9.1	13.0	19.0	23.5
	Recurring net profit	8.5	8.6	12.4	19.0	23.5
	<b>Cash flow (MYRm)</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24F</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
	Change in working capital	(1.66)	(1.66)	(2.96)	(9.15)	(8.43)
	Cash flow from operations	8.04	4.45	10.40	12.00	17.19
	Capex	(0.64)	0.08	(3.18)	(2.51)	(1.00)
	Cash flow from investing activities	(0.48)	(0.70)	(3.18)	(2.51)	(1.00)
	Dividends paid	0.00	0.70	(2.17)	(3.71)	(4.59)
	Cash flow from financing activities	(3.00)	(1.39)	21.05	(4.50)	(5.30)
	Cash at beginning of period	1.53	6.03	8.27	36.06	41.05
	Net change in cash	4.55	2.36	28.28	4.99	10.89
	Ending balance cash	6.08	8.39	36.55	41.05	51.95
	<b>Balance sheet (MYRm)</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24F</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
	Total cash and equivalents	6.0	8.3	36.1	41.1	51.9
	Tangible fixed assets	28.8	30.4	32.3	33.5	33.1
	Total assets	60.3	70.5	106.9	124.4	145.2
	Short-term debt	4.4	5.0	5.0	5.0	5.0
	Total long-term debt	20.6	20.4	18.9	18.9	18.9
	Total liabilities	30.2	32.7	34.4	36.6	38.4
	Total equity	30.1	37.8	72.5	87.8	106.7
	Total liabilities & equity	60.3	70.5	106.9	124.4	145.2
	<b>Key metrics</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24F</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
	Revenue growth (%)	70.5	10.5	28.4	33.3	21.7
	Recurrent EPS growth (%)	93.1	1.1	26.4	37.9	23.6
	Gross margin (%)	35.7	35.8	37.0	39.0	39.0
	Operating EBITDA margin (%)	21.1	19.7	20.4	22.4	22.4
	Net profit margin (%)	13.0	12.5	14.0	15.3	15.5
	Dividend payout ratio (%)	0.0	7.7	16.7	19.5	19.5
	Capex/sales (%)	1.0	(0.1)	3.4	2.0	0.7
	Interest cover (x)	10.4	10.6	14.7	22.5	27.6

Source: Company data, RHB

## Financial Overview And Valuation

**Financial overview.** Over a span of four financial years, Topmix's revenue surged to MYR72.7m in FY23 from MYR27.5m in FY20, with a remarkable 3-year revenue CAGR of 38.3%. The increase in revenue was mainly due to sales of HPL products which contributed RM68.6m, representing 94.4% of total revenue for FY23. The heightened demand for surface decorative products was fuelled by a surge in renovation and refurbishment activities. This revenue growth was primarily driven by a substantial market share gain and increase in sales volume from its existing hardware products dealers and stockists as well as other customers. There was a constant enhancement in PAT, rising from MYR2.4m in FY20 to MYR8.8m in FY23 with a CAGR of 55.2%. This improvement can be primarily attributed to an accelerated market share gain by expanding product offering, strengthening GPM and the optimisation of operating leverage.

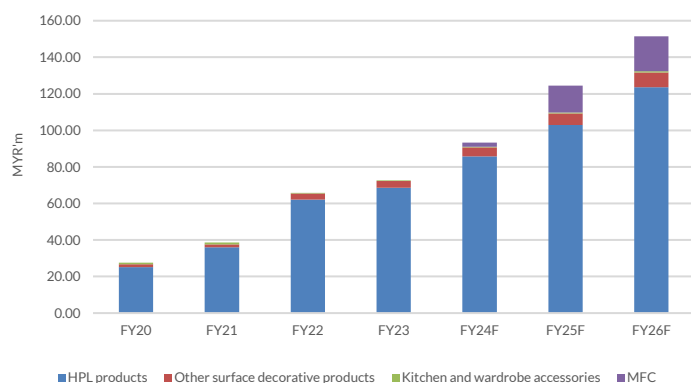
Topmix's revenue grew by 11.9% QoQ to MYR21.7m, driven largely by a MYR2m increase in sales of HPL products. Core PAT rose to MYR2.8m in 2Q24, up 38% from MYR2.0m in 1Q24, primarily due to an improvement in GPM from 35.9% to 37.2% QoQ. This performance brings Topmix's 1H24 revenue to MYR41m and core PAT to MYR4.9m.

**Forecasts.** The Malaysian property market is expected to remain strong in 2024, according to Malaysian Institute of Estate Agents president Tan Kian Aun. Coupled with its product range and geographical expansions, we forecast FY23-26 revenue CAGR of 27.7%. The company will sell its first batch of HPL stock to the Thailand JV company by October. We are positive on this move as Thailand's population of 70m is more than double that of Malaysia's and its presence in Bangkok is strategically located with the ongoing urbanisation and infrastructure development. We estimate 4.6% of HPL sales will be contributed from the Thai market in FY25F and grow 50% YoY going forward. As the MYR is strengthening, we anticipate Topmix's margin to grow at least until FY25F. Coupled with the optimisation of operating leverage and economies of scale, we forecast FY23-26 earnings CAGR of 38.3%, which is higher than its revenue growth.

**Valuation.** There are no direct peers listed in Malaysia, but companies like Aica Kogyo, Greenlam Industries, and An Cuong Word Working also distribute HPL products in Malaysia. They are trading at a market-cap weighted average 2-year forward P/E of 18.3x. We are assigning a 15x P/E based on Topmix's FY25F earnings to arrive at a FV of MYR0.72. The valuation is in line with the 15x 5-year average of its 2-year forward P/E of KLPRO. The valuation represents a c.17% discount from the 18x 1-year forward consensus P/E of international providers (Figure 3) due to its smaller market capitalisation. Additionally, any further geographical expansion plan, vertical expansion plan or earnings surpassing expectations could further boost the share price, indicating a promising investment opportunity.

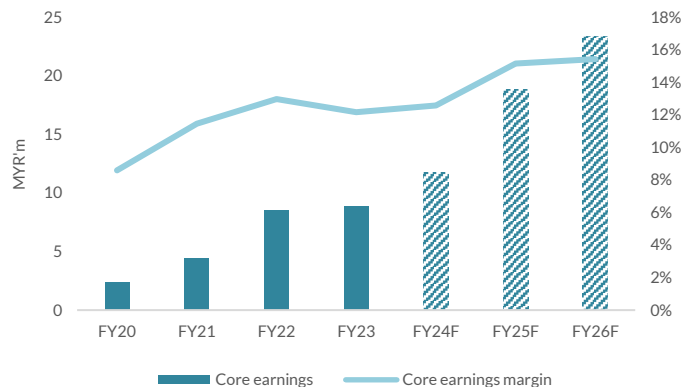
**Dividends and balance sheet.** Due to its asset light business model and anticipated strong earnings growth, the company is expected to generate a strong free cash flow of MYR7.2m in FY24F and MYR9.5m in FY25F. While the company does not have any dividend policy, we annualise its 1H24 dividend per share of 0.25 sen and assume a dividend payout of 17.8% of its PAT – translating to yields of 1.2% and 2.0% in FY24F and FY25F. Topmix has a healthy balance sheet, with a net cash position of MYR3.2m as at 30 Jun 2024.

Figure 1: Revenue trend



Source: Company data, RHB

Figure 2: Profitability and PAT margin



Source: Company data, RHB

Figure 3: Peer comparison

Company	Country	FYE	Mkt Cap (USDm)	Price	P/E (x)			Div. yield (%)	ROE (%)	EV/ EBITDA	NP growth (%)		PEG
				23-Aug-24 (Local currency)	Actual	+ 1 Yr	+ 2 Yr	+1 Yr	+1 Yr	+1 Yr	+1 Yr	+2 Yr	
Topmix (TOPMIX MK)	MA	12/2023	43.9	0.475	17.1	13.6	9.8	1.2	20.2	8.2	57.4	61.0	0.19
<b>Local furniture by-product providers</b>													
Heveaboard (HAVE MK)	MA	12/2024	40.6	0.31	-49.3	56.1	24.8	3.1	21.3	2.1	-187.9	126.3	0.2
Evergreen Fibreboard (EVF MK)	MA	12/2024	70.2	0.345	-8.6	31.2	16.9	na	21.2	5.0	-127.5	84.9	0.2
<b>Mkt. cap weighted average</b>			<b>59.3</b>		<b>-23.5</b>	<b>40.3</b>	<b>19.8</b>	<b>3.1</b>	<b>21.3</b>	<b>3.9</b>	<b>-149.6</b>	<b>100.1</b>	<b>0.2</b>
<b>Simple average</b>			<b>55.4</b>		<b>-28.9</b>	<b>43.6</b>	<b>20.8</b>	<b>3.1</b>	<b>21.3</b>	<b>3.5</b>	<b>-157.7</b>	<b>105.6</b>	<b>0.2</b>
<b>International peers</b>													
Aica Kogyo (4206 JT)	JN	03/2025	1,512.2	3327.00	14.4	13.9	12.9	3.5	74.5	6.0	3.6	8.2	1.6
Greenlam Industries (GRLM IN)	IN	03/2025	872.2	583.95	52.2	45.7	30.0	0.3	74.5	22.9	14.2	52.3	0.6
An Cuong Wood Working (ACG VN)	VN	12/2024	253.8	43,000.00	13.8	12.2	10.0	5.2	21.3	8.4	13.6	21.6	0.5
<b>Mkt. cap weighted average</b>			<b>1,179.5</b>		<b>26.8</b>	<b>24.3</b>	<b>18.3</b>	<b>2.6</b>	<b>69.4</b>	<b>11.8</b>	<b>8.1</b>	<b>24.1</b>	<b>1.1</b>
<b>Simple average</b>			<b>879.4</b>		<b>26.8</b>	<b>23.9</b>	<b>17.6</b>	<b>3.0</b>	<b>56.8</b>	<b>12.4</b>	<b>10.4</b>	<b>27.4</b>	<b>0.9</b>

Source: Bloomberg, RHB

## Company Overview

Topmix is principally involved in the marketing and sales of its own brands of surface decorative products. It also undertakes the design of surface decorative products internally as well as jointly-designed with third-party décor paper suppliers. While its primary market is Malaysia – accounting for 99.9% of its FY23 sales – Topmix also exports its products to other countries ie Indonesia, Singapore, Sri Lanka, and the Philippines. Its customer base comprises hardware product dealers, stockists, interior designers, residential and commercial property contractors, and carpenters.

With a diverse product range of 480 designs, including approximately 190 unique and exclusive HPL designs, Topmix is poised for significant growth in the renovation sector, especially with its asset-light business model with outsourced manufacturing. As a brand owner, the company remains committed to introducing innovative designs aligned with evolving market trends, facilitated by collaborative efforts in product design. Responding to market demand, it has introduced taller HPL products for seamless wall finishes in high-ceiling properties. With a vast customer base of over 1,000 interior designers, the company has expanded its product range to include compact panels, PVC edging, wall panels, and other decorative solutions in 2020 to position itself as a comprehensive furnishing hub for residential and commercial properties.

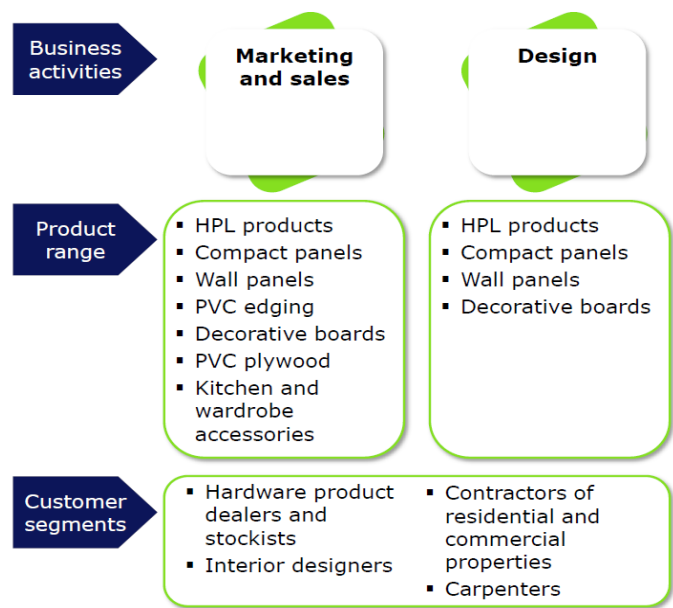
Its revenue is generated from three product categories:

- i. **HPL products (94.4% of FY23 revenue):** A decorative laminate produced by layers of decorative paper and kraft paper treated under high temperature and pressure. There are two main categories – generic HPL and design HPL. The design HPL can be jointly-designed HPL or internally-designed HPL.
  - a. **Generic HPL products.** Topmix sources and procures generic HPL products from OEMs of HPL products. The company only purchases finished generic HPL products from OEMs. The OEMs supply to the company on an exclusive basis, and are not able to sell, market, or distribute these generic HPL products to any other third-party in Malaysia. However, Topmix does not have exclusivity to the designs of generic HPL products.
  - b. **Jointly-designed HPL products.** The company collaborates with third-party décor paper suppliers to jointly design décor papers, marketing a range of HPL products. These products feature exclusive colourways of décor paper, with design and colourway rights granted exclusively to Topmix in the Malaysian market. OEMs procure the jointly-designed décor paper from the third-party supplier, while Topmix sources the finished HPL products from the OEMs. These products are then supplied exclusively to Topmix in Malaysia by the OEMs.
  - c. **Internally-designed HPL products.** Topmix provides customisation services for décor paper, accommodating customers with limited production volume. Customers collaborate with the company to finalise the artwork for the décor paper. The internally-designed décor paper is either printed internally or sent for printing by third-party décor paper suppliers. Once printed, the décor paper is delivered to OEMs for manufacturing.
- ii. **Other surface decorative products (5.1% of FY23 revenue):** These include compact panels, PVC edging, wall panels, decorative boards, and PVC plywood under the Dekotop, Dekoedge, Dekowall, Dekoboard, and Topply brand names. The company's surface decorative products are used in a variety of commercial and residential interior surface applications, including counter tops, table tops, furniture, wall decorations, partitions, signboards, and door panels;
- iii. **Kitchen and wardrobe accessories (0.48% of FY23 revenue):** The company holds exclusive dealership of Starax, a Turkish brand of space-saving kitchen and wardrobe accessories, in Malaysia. Starax serves as a complementary to the current range of surface decorative products as it offers customers a more holistic and seamless design and product range for kitchens, living rooms, and bedrooms.

Topmix is led by a seasoned key senior management team with extensive experience in the surface decorative products industry. Heading this team is the Managing Director Teo Quek Siang, who is tasked with developing business strategies and establishing the overall direction of the company. He also supervises the execution of these strategies and brings over 18 years of expertise in the surface decorative products industry.



Figure 4: Business model



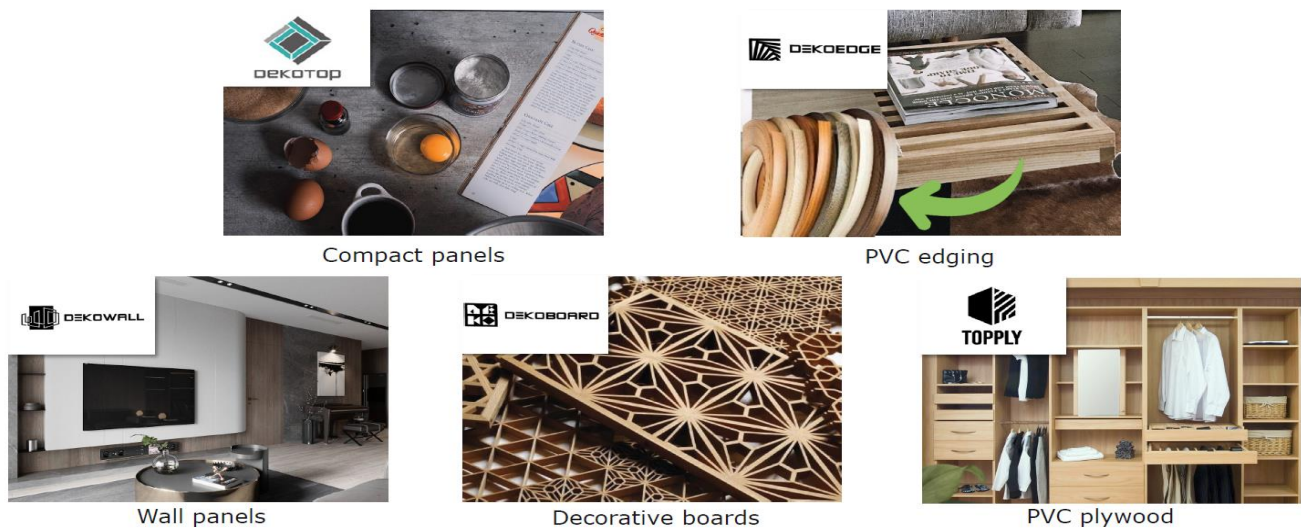
Source: Company data

Figure 5: HPL products




Source: Company data

Figure 6: Other surface decorative products




Source: Company data

Figure 7: Kitchen and wardrobe accessories

**Exclusive dealership of kitchen and wardrobe accessories**

- Complementary to our surface decorative products
- Offer customers a more holistic and seamless design and product range for kitchens, living rooms and bedrooms.



Source: Company data

Topmix is dedicated to delivering environmentally-friendly decorative surface solutions to Malaysia's renovation industry. Backed by certifications like UL GREENGUARD, GREENGUARD Gold, Singapore Green Label, and MyHIJAU standards, its HPL products offer low chemical emissions – catering to an increasingly eco-conscious customer base.

Figure 8: Certifications attained



**UL GREENGUARD**

PRODUCT CERTIFIED FOR LOW CHEMICAL EMISSIONS  
UL.COM/CG  
UL 2818



**GREENGUARD Gold Certification**

PRODUCT CERTIFIED FOR LOW CHEMICAL EMISSIONS  
UL.COM/CG  
UL 2818



**Singapore Green Label**



**MyHIJAU**

- ✓ Products tested and scientifically proven to have low chemical emissions

- ✓ Environmentally preferred products that meet certain eco-standards.

- ✓ Certified products and services that meet local and international environmental standards

Source: Company data



Figure 9: Project profiles

## Project @ R&amp;R Ayer Keroh



## Project @ Eco Summer Johor Bahru



Source: Company data

Figure 10: Major shareholders

Key Shareholders	Direct	%
J and T Resources	216.6	55.0
Teo Quek Siang	45.8	11.6
Tan Lee Hong	29.0	7.4

Source: Bloomberg

## Key Risks

- Shortage of supplies;
- Absence of long-term contracts;
- FX fluctuations;
- Changes in market trend.



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<b>Not Rated:</b>	Stock is not within regular research coverage

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