

PP14767/04/2012(029)

Scientex Berhad

“Boost by Segmental - Manufacturing and Property”

Results Review

- Actual vs. expectations.** Scientex Berhad (Scientex) FY15 net profit of RM162 million (+7% y-o-y) come in slightly in line with ours, but below consensus estimates, accounting 99% and 80% of ours and consensus full year net profit forecast respectively. The higher y-o-y performance was mainly driven by better sales performance from both the industrial and consumer packaging products.
- Dividend.** The group declared a single tier final dividend of 13sen/share in 4Q15, bringing total dividend to 22sen/share in FY15, translating into a dividend payout ratio of 31%, similar with the previous year.
- Top line.** Scientex’s revenue surged to RM1.8 billion (+13% y-o-y) in FY15 compared to RM1.6 billion in FY14. The double digits growth in revenue was supported by the increase in revenue contribution from both manufacturing and property segment, which grew by 8% y-o-y and 40% y-o-y respectively.
- Segmental.** i) Manufacturing segment recorded revenue of RM1.3 billion in FY15 compared to RM1.2 billion in FY14 (+8% y-o-y). The segment’s growth was underpinned by higher contributions from the consumer packaging products for the local and export markets. In sum, profit from manufacturing operations gained by 18% y-o-y to RM77 million in FY15 compared to RM65 million in FY14.

Wednesday, September 30, 2015

HOLD (TP: RM7.50)

Current Price (RM)	RM7.05
New Target Price (RM)	RM7.30
Previous Target Price (RM)	RM7.30
Previous Recommendation	HOLD
Upside/(Downside) To Target	6.4%
Dividend Yield (FY16F)	10%

Stock Code

Bloomberg	SCI MK
-----------	--------

Stock Information

Listing	MAIN MARKET	
Sector	Consumer	
Shariah Compliance	Yes	
Issued Shares (mn)	225.9	
Market Cap (RM mn)	1,592.3	
YTD Chg in Share Price	-0.56	
Beta (x)	0.66	
52-week Hi/Low (RM)	7.63	6.53
6M Average Volume (shrs)	0.186mn	
Estimated Free Float	30 %	

Major Shareholders

Scientex Holdings Sdn Bhd	21%
Scientex Leasing Sdn Bhd	10%
Lim Teck Meng Sdn Bhd	8%

ii) Property segment recorded revenue of RM516 million in FY15 that raised by 29% y-o-y compared to RM398 million in FY14. Profit from property operation grew heftily by 45% y-o-y to RM175 million in FY15 vs RM121 million in FY14. The higher performance revenue and profit in the property segment was due to healthy growth in progress billing from Taman Scientex Senai and encouraging sales from Taman Scientex Pasir Gudang (Pasir Gudang), Taman Scientex Kulai (Kulai) and Taman Mutiara Mas (Skudai).

- **Outlook.** We foresee the group will continue to sustain their performance in their two main segments such as manufacturing and property. The cast polypropylene (CPP) film (extensively used in flexible packaging of food and beverages) and biaxially oriented polypropylene (BOPP) film manufacturing plant is expected to commence operations by end-2015 and mid 2016 respectively. We expect this new plants would sustain the group's performance in the coming financial year. For property segment, we expect to see steady sales from new development in Taman Scientex Pasir Gudang, Taman Scientex Kulai and Taman Mutiara Mas that would boost the group's earnings in FY16.
- **Change to forecast.** Looking at the positive earnings performance in FY15 and its potential in FY16, we are view that Scientex earnings may continue to be growing. Therefore, we have raised our FY16 earnings forecast and at the same time introduced our FY17 earnings forecast. FY16 and FY17 earnings are expected to grow by 10% and 15% respectively underpinned by 1) contribution from existing and new projects in property segment; and 2) higher contribution from the consumer packaging products in local and export markets.
- **Valuation & recommendation.** We value Scientex at RM7.50 as we roll-over our valuation into FY16, pegged it to 3-year PER of 9.5x. The stock is a **HOLD**.

Table 1: Peers comparison (Calenderised)

Company	YE	Price (RM)	EPS (sen)		P/E (X)		P/BV (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY14	FY15	FY15	FY16				
Parkson*	Jun	1.12	17	19	17	16	1	1	5	NA	1.20	Hold
Amway	Dec	9.94	69	73	17	16	9	8	55	3.4	10.50	Hold
Nestle	Dec	72.02	254	277	27	24	18	18	58	3.5	61.50	Sell
MSM	Dec	4.74	34	38	14	13	2	2	13	5.1	5.46	Buy
Dutch Lady	Dec	47.10	216	229	22	20	14	16	58	2.4	41.6	Sell
Padini*	Jun	1.35	15	18	13	11	3	3	24	5.0	1.45	Hold
Scientex	July	7.05	68	80	10	8	2	2	20	4.0	7.50	Hold
Zhulian	Nov	1.42	11	33	10	6	2	2	10	5.1	1.80	Buy
Aeon Co	Dec	2.71	18	19	23	21	3	3	14	1.4	NA	NA
QL Resources	Mac	4.00	16	18	19	17	3	3	15	1.0	NA	NA
Average					18	15	5	5				

Source: Bloomberg, M&A Securities

Table 2: Financial Forecast

Y/E: July (RM'mil)	FY13	FY14	FY15	FY16F	FY17F
Revenue	1,229	1,590	1,802	1,982	2,279
EBIT	146	190	225	247	285
PBT	143	186	221	243	280
Net profit	110	148	162	178	205
EPS (sen)	51	67	70	79	91
DPS (sen)	16	20	22	24	28
Dividend Yield (%)	6%	7%	10%	10%	13%
Dividend payout (%)	52%	31%	33%	31%	31%
PBT Margin (%)	12%	12%	12%	12%	12%
Net profit margin (%)	9%	9%	9%	9%	9%
ROE (%)	19%	20%	21%	21%	21%
ROA (%)	11%	12%	13%	13%	13%

Source: Company, M&A Securities

Table 3: Results Analysis

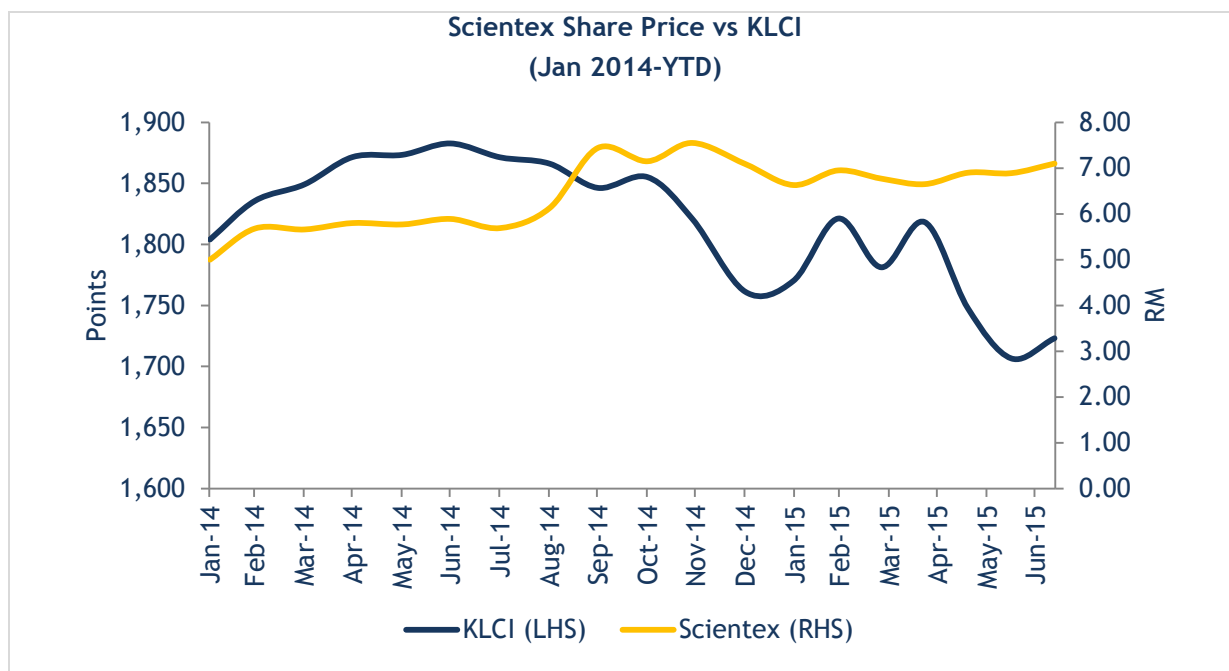
YE: July (RM mill)	4Q15	4Q14	3Q15	q-o-q	y-o-y	12M15	12M14	y-o-y
Revenue	452	415	455	-1%	9%	1,802	1,590	13%
Operating profit	77	56	58	32%	37%	225	190	19%
Interest expense	(2)	(2)	(2)	6%	18%	(8)	(7)	16%
Investing results	2	2	0	580%	26%	4	4	12%
PBT	77	56	57	36%	37%	221	186	19%
Taxation	(27)	(6)	(13)	116%	339%	(59)	(35)	69%
PAT	50	50	44	13%	0%	162	152	7%
EPS	22	22	19	14%	-2%	70	67	5%
PBT Margin	17%	13%	12%			12%	12%	
PAT Margin	11%	12%	10%			9%	10%	

Source: Bursa Malaysia, M&A Securities

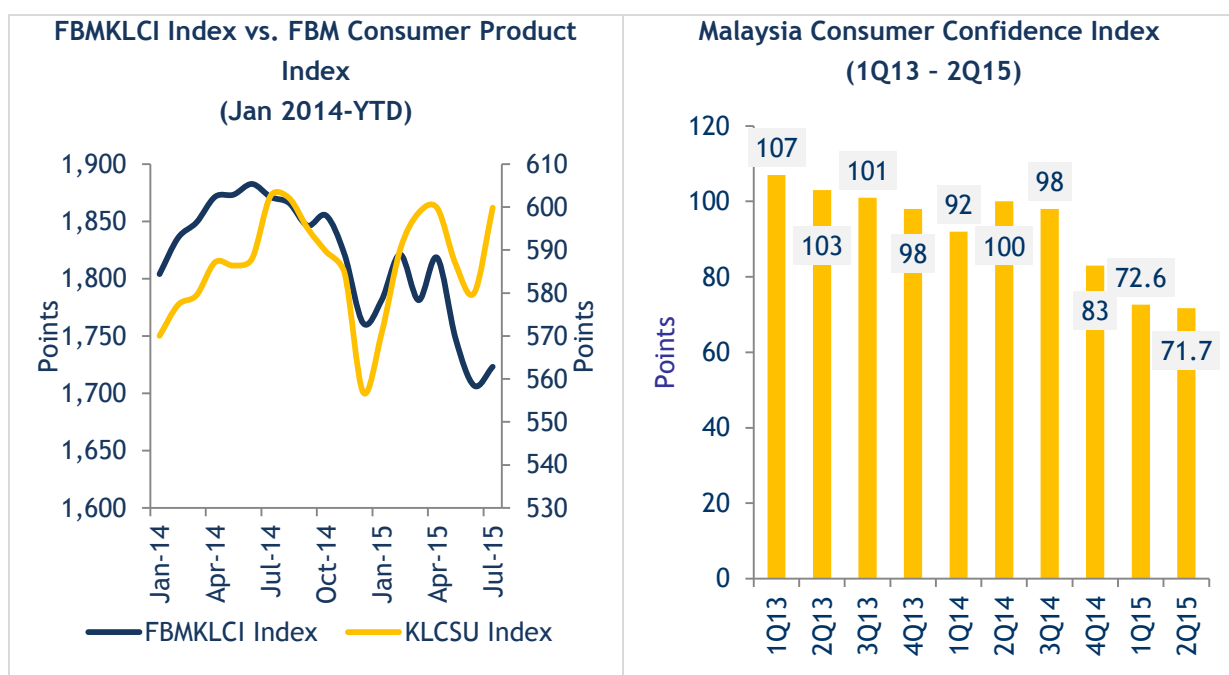
Table 4: Segmental

	12M15	12M14	y-o-y
<u>Revenue</u>			
Manufacturing	1,286	1,192	8%
Property	516	398	29%
<u>Profit from Operation</u>			
Manufacturing	77	65	18%
Property	175	121	45%

Source: Bloomberg, M&A Securities



Source: Bloomberg, M&A Securities



Source: Bloomberg, M&A Securities

M&A Securities

STOCK RECOMMENDATIONS

BUY	Share price is expected to be $\geq +10\%$ over the next 12 months.
TRADING BUY	Share price is expected to be $\geq +10\%$ within 3-months due to positive newsflow.
HOLD	Share price is expected to be between -10% and $+10\%$ over the next 12 months.
SELL	Share price is expected to be $\geq -10\%$ over the next 12 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT	The sector is expected to outperform the FBM KLCI over the next 12 months.
NEUTRAL	The sector is expected to perform in line with the FBM KLCI over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform the FBM KLCI over the next 12 months.

DISCLOSURES AND DISCLAIMER

This report has been prepared by M&A SECURITIES SDN BHD. Readers should be fully aware that this report is for informational purposes only and no representation or warranty, expressed or implied is made as to the accuracy, completeness or reliability of the information or opinion contained herein. The recommendation and opinion are based on information obtained or derived from sources believed to be reliable.

This report contains financial forecast/projection based on our assumptions which may defer from the actual financial results announced by the companies under coverage. All opinions, estimates and assumptions are subject to change without notice. Analysts will initiate, update and cease coverage solely at the discretion of M&A SECURITIES SDN BHD.

Investors are to be cautioned that value of any securities invested may fluctuate from time to time. We advise investors to seek financial, legal and other advice for investing based on the recommendation of our report as we have not taken into account each investors' specific investment objectives, risk tolerance and financial position.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. M&A SECURITIES SDN BHD can accept no liability for any consequential loss or damage whether direct or indirect. Investment should be made at investors' own risks.

M&A SECURITIES SDN BHD and INSAS GROUP of companies, their respective directors, officers, employees and connected parties may have interest in any of the securities mentioned and may benefit from the information herein. M&A SECURITIES SDN BHD and INSAS GROUP of companies and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This report may not be reproduced, distributed or published in any form or for any purpose.

M & A Securities Sdn Bhd (15017-H)

(A wholly-owned subsidiary of INSAS BERHAD)

A Participating Organisation of Bursa Malaysia Securities Berhad

Principal Office:

Level 1,2,3 No.45 & 47

The Boulevard, Mid Valley City,

Lingkar Syed Putra,

59200 Kuala Lumpur

Tel: +603 - 2282 1820 Fax: +603 - 2283 1893

Website: www.mnaonline.com.my