PP14767/04/2012(029

Wednesday, September 30, 2015

Market Access

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.

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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/Lo (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

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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
Revenue			
Manufacturing	1,286	1,192	8%
Property	516	398	29%
Profit from Operation			
Manufacturing	77	65	18%
Property	175	121	45%

Source: Bloomberg, M&A Securities

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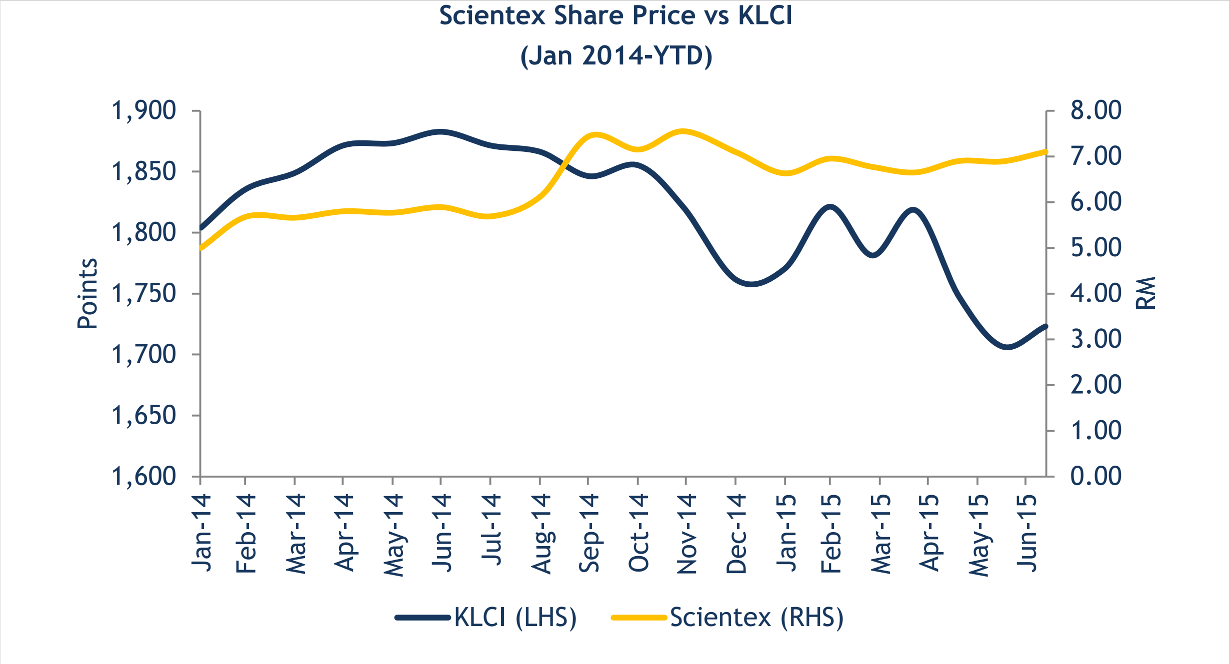
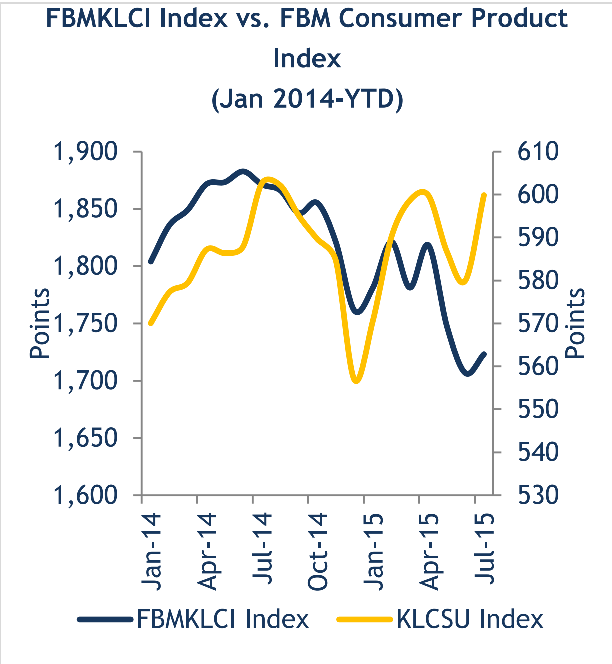
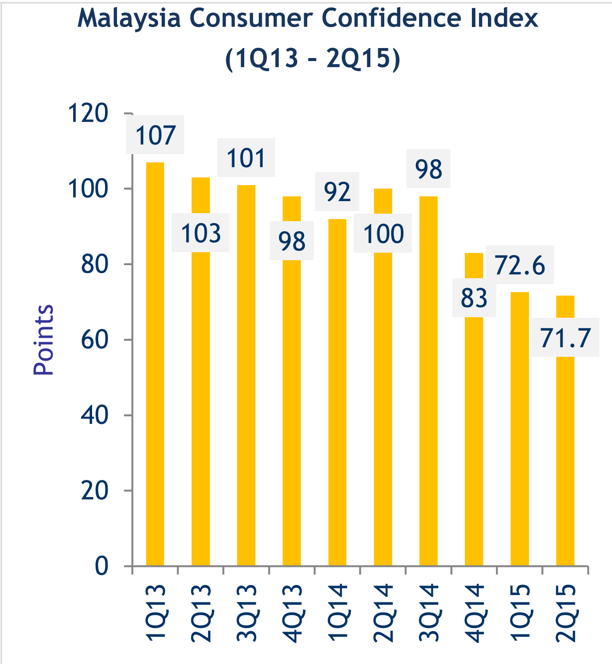


Source: Bloomberg, M&A Securities





Source: Bloomberg, M&A Securities

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M&A Securities

STOCK RECOMMENDATIONS

BUY	*Share price is expected to be ≥+10% over the next 12 months.*
TRADING BUY	*Share price is expected to be ≥+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 ≥-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.*

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