

Scientex poised to be regional powerhouse in flexible plastic packaging market

- *To acquire Klang Hock Plastics Industries for RM190 million at 8.4x EV/EBITDA; comes with RM18.0 million profit before tax guarantee*
- *Scientex manufacturing segment to see leapfrog in annual revenue exceeding RM2.0 billion and annual production capacity rise by 30%*

Shah Alam, Selangor, Malaysia, 23 February 2018 - Global packaging manufacturer and leading property developer **Scientex Berhad** (**Scientex**, 森德公司, *Bloomberg: SCI MK; Reuters: STIK.KL*) is set to become a regional powerhouse in the Flexible Plastic Packaging (FPP) market, as its wholly-owned subsidiary **Scientex Packaging Film Sdn Bhd** signed a sales and purchase agreement today to fully acquire **Klang Hock Plastic Industries Sdn Bhd (KHPI)** for RM190.0 million.

Founded in 1976, KHPI is a leading manufacturer of custom films including shrink films, polyethylene (PE) films, tubes and bags, lamination films, stretch films, stretch hoods, agriculture films, and flexitank films. The family-owned company has a diverse customer base of over 450 multinational corporations worldwide, spanning mainly across the Food & Beverage (F&B) and Fast Moving Consumer Goods (FMCG) sectors. KHPI exports approximately 40% of its films to customers based in Asia-Pacific, Australia, Europe, Mauritius, Middle-East, New Zealand and the USA.

The price tag of RM190.0 million values the acquisition at an enterprise value (EV) over EBITDA¹ (EV/EBITDA) of 8.44 times. The acquisition comes with a profit guarantee of RM18.0 million profit before tax for the 12-month period to 31 March 2019. The purchase consideration will be fulfilled by internal funds and bank borrowings.

“With the acquisition of KHPI, our manufacturing segment will see a leapfrog in revenue to exceed RM2.0 billion per year. This will not only strengthen our position in the global FPP market, but also immediately expand our capacity, product portfolio, and clientele reach.

Additionally, we see vast opportunities for the enlarged entity to enjoy synergistic benefits from operational efficiency as well as product innovation initiatives. With the new production facilities, we aim to enhance our services and provide prompt and timely delivery to our global customers through our enlarged operations in multiple locations. Overall, these would certainly sharpen our competitive edge, as we propel Scientex to be a regional leader in the FPP market”

Mr. Lim Peng Jin (林炳仁)
Managing Director of Scientex Berhad

¹ Earnings before interest, tax, depreciation and amortisation



KHPI operates two strategically-located and state-of-the-art manufacturing plants in Klang, Selangor, with an annual capacity of 99,000 metric tonnes (MT) and sales of close to RM400.0 million per annum, compared to Scientex's manufacturing revenue of RM1.7 billion.

The acquisition of KHPI would boost Scientex's total annual output capacity by approximately 30% to 455,000 MT, from 356,000 MT currently.

According to industry statistics, the FPP market in Asia Pacific is estimated to reach USD45.3 billion by 2019, making it the second largest FPP market in the world after the Eurozone. The global FPP market is projected to grow from USD151.1 billion in 2014 to USD192.2 billion by 2019 with a compounded annual growth rate (CAGR) of 4.9%.

This acquisition is not subjected to approvals from shareholders of Scientex.

Barring any unforeseen circumstances, the acquisition is estimated to be completed in the second quarter of 2018. Hence, the acquisition is expected to contribute positively towards Scientex's earnings for the current financial year ending 31 July 2018 (FY2018) onwards.



About Scientex Berhad (森德公司, www.scientex.com.my)

Scientex Berhad (Scientex) is a leading industrial packaging manufacturer and a reputable property developer in South Malaysia. Scientex is also the largest stretch film producer in Asia and among the world's largest producers.

Established in 1968 as a PVC cloth and leather manufacturer, Scientex today produces flexible plastic packaging products, stretch film, custom film (polyethylene (PE) film, biaxially oriented polypropylene (BOPP) film, cast polypropylene (CPP) film) and specialty products (automotive interior, polypropylene (PP) strapping bands, woven and flexible intermediate bulk containers (FIBC) bags, raffia, solar encapsulant films).

To date, Scientex has manufacturing facilities in Malaysia, Vietnam, and the United States of America; as well as sales and marketing arms in Japan, Indonesia, and Singapore. Approximately 75% of its manufacturing products are exported to over 60 countries worldwide.

Scientex's property arm has township development projects in Pasir Gudang, Kulai, Skudai, Senai, and Pulai, all in Johor, and in Ayer Keroh and Durian Tunggal, Melaka. Its township developments are the 1,100-acre Taman Scientex Pasir Gudang, the 250-acre Taman Scientex Kulai I, the 48.4-acre Taman Scientex Kulai II, the 146-acre Taman Mutiara Mas, Skudai, the 250-acre Taman Scientex Senai, the 326-acre Taman Pulai Mutiara in Johor, the 137-acre Taman Muzaffar Heights in Ayer Keroh, the 197-acre Taman Scientex in Durian Tunggal, and the 80-acre mixed development in Ipoh. It has also recently acquired a 121-acre land in Senai, Johor, and 65-acre land in Rawang, Selangor. To date, Scientex has delivered more than RM3.5 billion worth of properties and has projects-in-hand of RM1.4 billion.

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