

Scientex (SCI MK)

Consumer Non-cyclical - Packaging

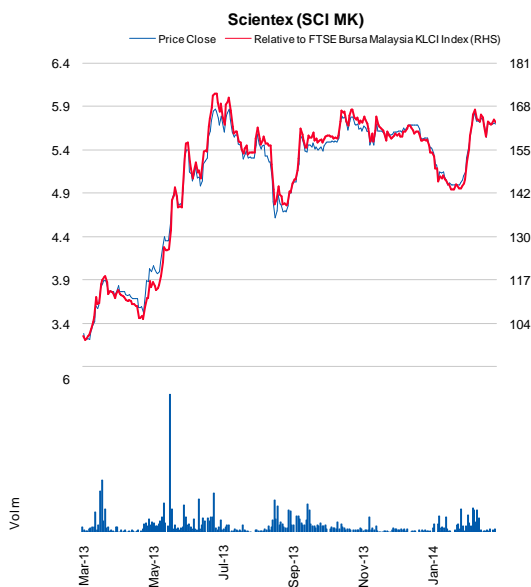
Market Cap: USD384m

Buy

Target Price: MYR6.36

Price: MYR5.70

Scaling New Heights

 Macro
 Risks
 Growth
 Value


Source: Bloomberg

Avg Turnover (MYR/USD)	1.04m/0.31m
Cons. Upside (%)	9.1
Upside (%)	11.6
52-wk Price low/high (MYR)	3.22 - 5.87
Free float (%)	54

Shareholders (%)	
Scientex Holdings SB	20.7
Scientex Leasing SB	10.5
Sim Swee Tin	5.6

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We initiate coverage on Scientex (SCI) with a BUY call and MYR6.36 FV. We expect it to register FY14F-16F earnings of MYR143-192m, implying a 10.2% 3-year CAGR. We like SCI for its: i) fast-expanding plastic film manufacturing segment, ii) reputable brand name in southern Malaysia's property market, and iii) committed management team under the founding Lim family, which now holds a 60% stake.

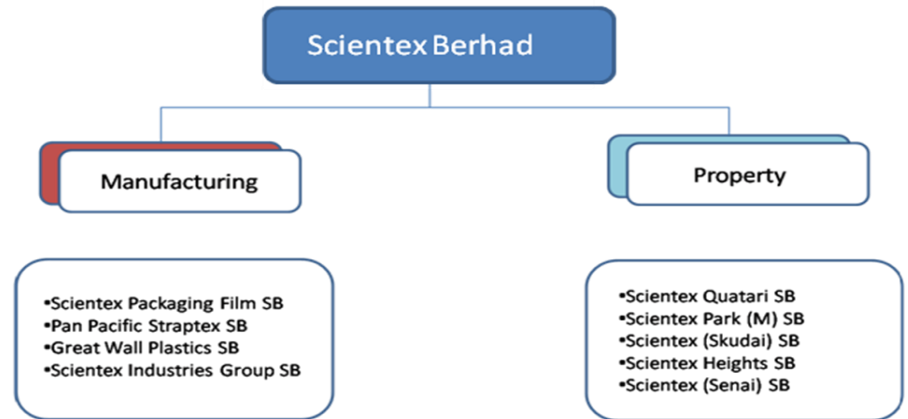
- ◆ **Brief background.** SCI is involved in plastic film manufacturing as well as property development. The group manufactures resin-based film for the logistics, food & beverage (F&B) and fast-moving consumer goods (FMCG) segments, while its property development arm is mostly concentrated in Johor, where it was founded in 1968.
- ◆ **Film manufacturing.** SCI's manufacturing division contributed 79% to topline and 54% of its consolidated EBITDA in 1QFY14. The group has 10 production facilities in Malaysia and Vietnam. Its key products include stretch film, consumer film and strapping bands. Of note, SCI's stretch film business has an annual production capacity of 194,000 tonnes, making it the world's third-largest stretch film producer. Overall, the group exports over 75% of its manufactured products to countries like Japan, South Korea, Taiwan, Russia and Australia.
- ◆ **Niche property developer.** SCI's property development division is currently sitting on an undeveloped landbank of 990 acres with a total remaining GDV of MYR4.4bn to be developed over the next 10 years. Currently, it has ongoing developments in Pasir Gudang, Kulai, Skudai and Senai (all in Johor) as well as Ayer Keroh, Melaka. Management is looking at new launches with a total GDV of MYR600m in FY14. As at Oct 2013, unbilled sales stood at MYR406.9m.
- ◆ **Earnings outlook.** Moving forward, SCI's growth will be driven by the expansion of its manufacturing production lines as well as sustainable growth in its property sales. Pegging a 12x CY14F P/E to its manufacturing segment and ascribing a 30% discount to the RNAV of its property segment, we arrive at our MYR6.36 FV. We initiate coverage on this stock with a BUY call.

Forecasts and Valuations	Jul-12	Jul-13	Jul-14F	Jul-15F	Jul-16F
Total turnover (MYRm)	881	1,229	1,366	1,590	1,761
Reported net profit (MYRm)	84	110	143	171	192
Recurring net profit (MYRm)	84	110	143	171	192
Recurring net profit growth (%)	8.6	31.4	30.0	19.3	12.1
Recurring EPS (MYR)	0.39	0.51	0.66	0.77	0.87
DPS (MYR)	0.14	0.27	0.19	0.23	0.26
Recurring P/E (x)	14.6	11.1	8.7	7.4	6.6
P/B (x)	2.33	1.96	1.73	1.49	1.29
P/CF (x)	9.49	5.76	6.35	5.55	4.97
Dividend Yield (%)	2.5	4.7	3.4	4.1	4.6
EV/EBITDA (x)	9.39	7.69	5.62	4.45	3.66
Return on average equity (%)	16.9	19.1	21.1	21.7	21.0
Net debt to equity (%)	3.5	28.3	19.9	3.5	net cash
Our vs consensus EPS (%)			0.0	0.0	0.0

Source: Company data, RHB estimates

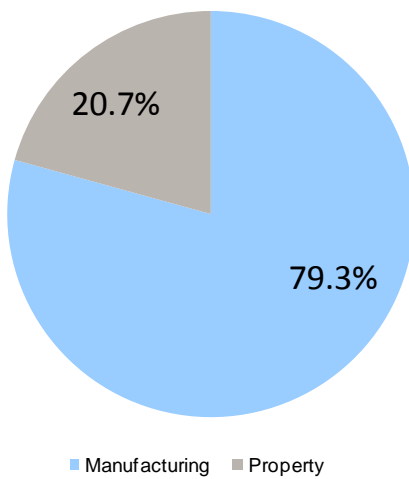
Corporate background. Established in 1968, SCI was previously involved in the production of polyvinyl chloride (PVC) leather cloth as well as sheeting for industrial and consumer products. Today, the group is a leading industrial packaging manufacturer in Asia and is among the world's top three producers of stretch film, with an annual production capacity of 194,000 tonnes. SCI diversified into property development in 1995, with its existing projects now predominantly centred in Johor and Melaka. The group's manufacturing division contributed 79% of its topline and 54% of consolidated EBITDA in 1QFY14, while the remainder was from its property division.

Figure 1: SCI's corporate structure



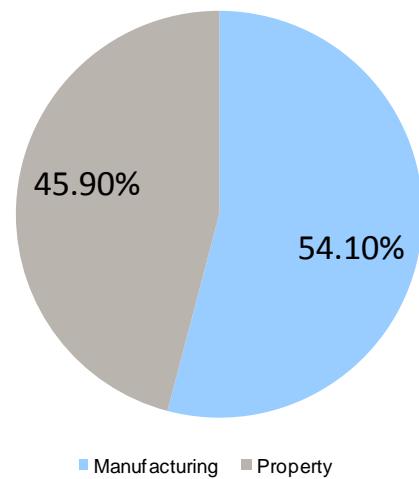
**all subsidiaries are 100%-owned
Source: Company*

Figure 2: SCI's 1QFY14 revenue



Source: Company data

Figure 3: SCI's 1QFY14 EBITDA



Source: Company data

Figure 4: SCI's corporate milestones

Year	Corporate Milestone
1968	Scientific Textile Industries Sdn Bhd incorporated; began PVC cloth leather cloth & sheeting manufacturing on a rented factory
1969	Scientific Textile Industries Sdn Bhd was converted into a public company; changed name to Scientex Industries Berhad the following year
1985	Established a new subsidiary, Woventex Sdn Bhd to manufacture polypropylene (PP) and polyethylene (PE) woven bags
1990	Scientex Industries Berhad was listed on the KLSE
1993	Scientex Quatari Sdn Bhd (SciQuatari) set up JV with Lim Kah Ngam group of Spore to develop Taman Scientex in Pasir Gudang
1994	SIB acquired Seremban Fibre Containers Bhd, manufacturer of corrugated carton boxes to complement PVS and woven bads business
1995	Set up Scientex Packaging Film Sdn Bhd (SPF) to venture into stretch film manufacturing; polymer business consolidated as Scientex Polymer SB (SciPolymer) Woven bag business under Woventex SB consolidated with Woventex Corporation Bhd (Woventex) SIB changed its name to Scientex Incorporated Bhd to better reflect the Group's diversified activities
1996	Scientex listed on second board of KLSE
2001	SPF set up 2nd stretch film plant in Pulau Indah. Annual output capacity raised to 40k MT to 16k MT
2002	SIB, via JV with Mitsui Chemicals Polyurethanes, Inc (Japan) formed Cosmo Scientex (M) SB set up 1st urethane prepolymer adhesive plant in ASEAN to manufacture adhesive materials for flexible food packaging
2003	SciPolymer expanded ops into manufacturer of tufted carpet mats for automotive industry. Acquired entire carpet mats business of Japanese partners.
2004	Woventex acquired stretch film & other industrial packaging units from SIB and changed name to Scientex Packaging Bhd (Scipack) SPF increased annual output capacity to 60k MT
2005	Scipack established 1st overseas manufacturing plant in Vietnam to manufacture woven bads and FIBC bulk bags. Expanded stretch film ops in Pulau Indah to 90k MT SciQuatari expanded landbank by acquiring 95 acres of freehold land next to Taman Scientex
2007	Established PT Scientex Indonesia for sales and marketing of laminating polyurethane adhesives
2008	SIB implemented 2 for 1 share split from RM1 to RM0.50 per share and post share split 1 for 2 bonus issue SciQuatari acquire 250 acres of prime land in Kulai, located within IDR SIB acquired SciPack via VGO; SciPack becomes a wholly owned subsidiary of SIB
2009	SIB changed its name to Scientex Bhd. Launched new corporate logo to "Healthy, Friendly and Happy" tagline as part of branding exercise Set up Scientex Foundation, a charitable trust to fund and support CSR initiatives
2011	SciQuatari acquired 52.83% of Rising Heights Development SB (now Scientex Heights SB); developer of Taman Muzaffar Heights in Ayer Keroh (186 acres)
2012	SciQuatari fully acquire Johline Realty SB; owns 2 plots of vacant land in Skudai totalling 156 acres
2013	50% JV with Mitsui Chemicals Tohcello, Inc. (MCTI) to manufacture EVA encapsulating sheets for solar cells
2014	SciQuatari fully acquired Tropicana Holdings SB; owns 250 acres in Senai Acquire GW Plastics core businesses for RM283.2 mil SciQuatari acquired 2 plots of freehold lands totalling 48.4 acres in Kulai

Source: Company

Founding family holds 60% stake. Management is currently led by executive deputy chairman Lim Teck Meng, the founder of the company. He is currently assisted by his son Lim Peng Jin, who is the group MD and a chemical engineer by training. Peng Jin has been with SCI for the last 20 years. Currently, the founding family collectively owns a 60% stake in the group. Listed on the Main Market of Bursa Malaysia in Feb 1990, SCI's market capitalisation has increased by more than 10-fold over the last 23 years to MYR1.24bn currently.

Figure 5: List of 10 largest SCI shareholders (as of 17 Oct 2013)

No.	Names	No. of Shares Held	%
1	Scientex Holdings SB	41,939,462	18.96
2	Scientex Leasing SB	23,281,152	10.53
3	Sim Swee Tin SB	12,360,599	5.59
4	Lim Teck Meng SB	10,850,702	4.91
5	Progress Innovations SB	6,392,100	2.89
6	Ardent Synergy SB	5,901,280	2.67
7	Lembaga Kemajuan Tanah Persekutuan	5,000,000	2.26
8	UOBM Nominees Tempatan SB <i>A/C Malacca Securities SB</i>	4,400,000	1.99
9	Ang Teow Cheng & Sons SB	4,300,000	1.94
10	HSBC Nominees (Asing) SB <i>JPMorgan Chase Bank, Norges BK</i>	4,142,800	1.87

Source: Company

Leading packaging manufacturer. Under its manufacturing arm, SCI has 10 production facilities, of which eight are located in Malaysia and the remaining two are in Vietnam. The group also has two regional sales and marketing offices - in Indonesia and Japan. Its four core production divisions are:

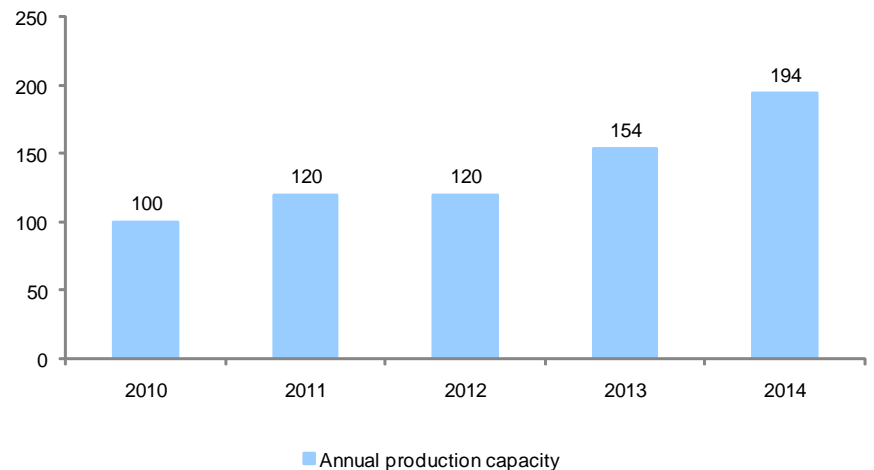
- i. **Stretch film:** SCI houses 16 production lines under its stretch film division, which has an annual production capacity of 194,000 tonnes. Its existing facilities in Pulau Indah and Rawang (both in Selangor) recorded a decent utilisation rate of over 85% in FY13. This sub-segment contributed 55% of its manufacturing revenue, or 44% of the group's consolidated revenue, in 1QFY14. Although PBT margins were relatively flattish at 5-6%, we see this as a volume play given SCI's leading position as one of the world's Top 3 largest stretch film producers. The other two market leaders are Manuli Stretch SpA and Sigma Plastics Group Inc.

Figure 6: SCI's stretch film products



Source: Company

Figure 7: Annual stretch film production capacity ('000 tonnes)



Source: Company data

- ii. **Consumer film:** SCI's consumer film division has an annual production capacity of 34,000 tonnes, contributing close to 22% of the group's manufacturing revenue or 17% of its consolidated revenue in 1QFY14. With utilisation rate hovering at around 80% currently, management is looking to invest MYR50m capex in FY14 to increase its capacity by 50% to 51,000 tonnes (slated for completion by Aug 2014). On a side note, SCI recently acquired Seacera Polyfilms SB for MYR39m in mid-Feb 2014. The acquisition will help to diversify its offerings into the production of biaxially oriented polypropylene (BOPP) films from the conventional polypropylene (PE) films it currently manufactures. Overall, PBT margins at SCI's consumer packaging business typically stand at a relatively higher 8-10% due to a higher degree of customisation to cater to various customer requirements.

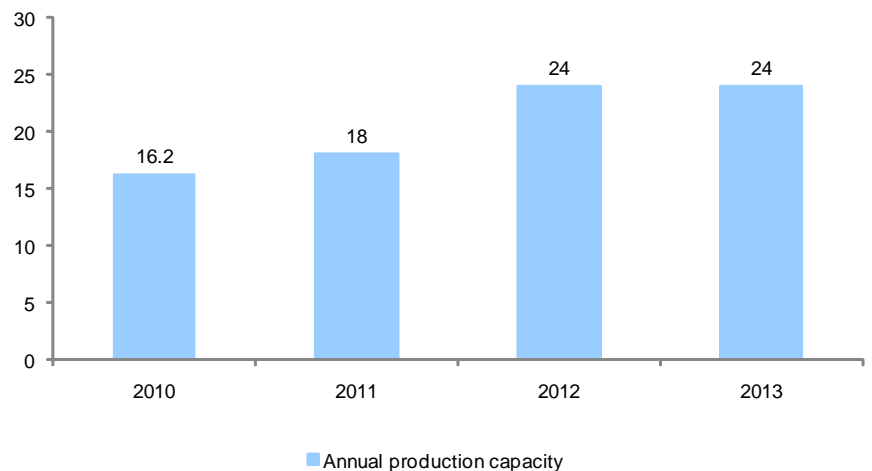
Figure 8: SCI's consumer film products



Source: Company

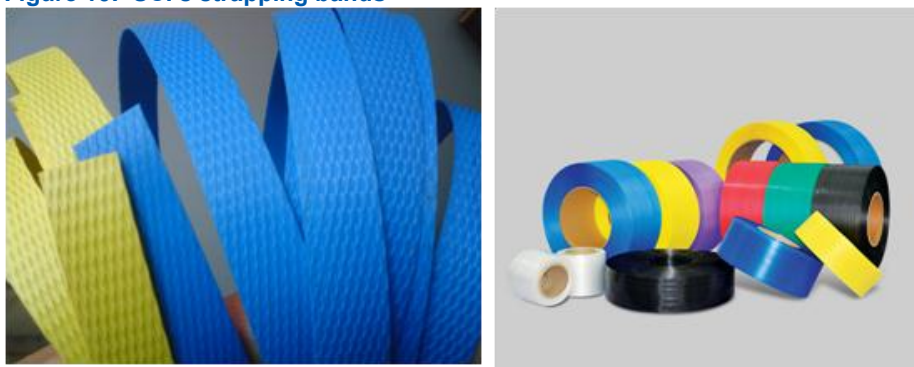
- iii. **Strapping band:** SCI's strapping band division, with an installed annual capacity of 24,000 tonnes, contributes 7% of the group's manufacturing topline, or 5% of its consolidated revenue in 1QFY14. PBT margins typically hover at around 5-6%, with a healthy average utilisation rate of 75%.

Figure 9: Annual production capacity for strapping bands ('000 tonnes)



Source: Company data

Figure 10: SCI's strapping bands



Source: Company

- iv. **Other industrial products:** The remaining 16% of SCI's manufacturing arm comes from the manufacture of other industrial products like carton boxes, raffia, adhesives, woven bags and automotive interiors. Due to the relatively more niche requirements, as requested by its customers, this sub-segment typically commands better-than-average margins of 8-10% at PBT level.

Figure 11: Other industrial products



Source: Company

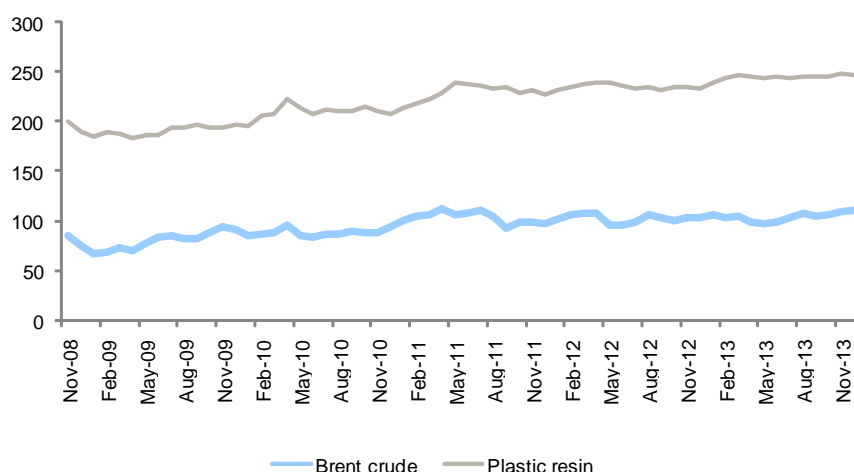
Figure 12: Breakdown of manufacturing products for export and local use

Products	Local Export		Export Destination
	Local	Export	
Stretch film	5%	95%	East Europe, Korea, Taiwan, Japan, Russia, Thailand, Phillipines, Indonesia, Africa, other APAC countries
Consumer packaging	60%	40%	Singapore, Thailand, Denmark, Hong Kong, other APAC countries
PP strapping band	1%	99%	Australia, Japan, Pakistan, New Zealand, other APAC countries

Source: Company data

Natural hedge in place. Overall, SCI exports over 75% of its manufactured products to countries such as Japan, South Korea, Taiwan, Russia and Australia. All its export sales are denominated in USD. On the other hand, the group's resin procurement, which makes up close to 65-70% of its manufacturing operating costs, is also denominated in USD. Ultimately, this forms a natural hedge, and earnings are, hence, less susceptible to fluctuations in the USD. As resin is a downstream petrochemical product, its cost has a positive correlation of 0.8 to the price of crude oil. In the event of sharp fluctuations in resin prices or the USD, SCI has a back-to-back arrangement with customers on potential price revisions and cost pass-through.

Figure 13: Historical Brent crude prices (USD/barrel) and plastic resin prices (USD/tonne)



Source: Bloomberg and ICIS data

Niche property developer. SCI's property development division is currently sitting on an undeveloped 990 acres of landbank, with a remaining GDV of MYR4.4bn to be developed over the next 10 years. Most of its property projects are Johor-centric, ie the group's starting base. Currently, SCI has ongoing developments in Pasir Gudang, Kulai, Skudai and Senai (all in Johor) as well as Ayer Keroh, Melaka.

Figure 14: SCI's GDV and landbank

	Taman Scientex Pasir Gudang	Taman Scientex Kulai	Taman Scientex Senai	Taman Mutiara Mas Skudai	Taman Muzaffar Heights Melaka	Total
GDV (MYRm)	1,645	867	1,254	2,253	646	6,665
Completed (MYRm)	893	182	-	192	105	1,372
Segment	Affordable	Affordable	Industrial	High-end	High-end	
Land size (acres)	1,100	298*	250	150	137	1,637
Balance (acres)	293	234	250	110	103	990

* Does not include newly acquired 48.4 acre Kulai land

Source: Company data

Medium-term property outlook. SCI is looking at new launches with a GDV of MYR600m in FY14. Despite the various measures to curb property speculation announced in Budget 2014, management remains adamant that sales will be driven by its targeted approach for each of its projects. Meanwhile, the group's unbilled sales of MYR406.9m as of Oct 2013 will also help provide a safety buffer.

Figure 2: SCI's new launches in 1Q14

Development	Details	Total GDV (MYRm)
Taman Scientex Pasir Gudang	279 units double storey link	71.0
	113 units double storey link with mezzanine floor	
Taman Muzaffar Heights Ayer Keroh	32 units of double storey link houses	9.3
Taman Scientex Senai	24 units of cluster/semi-detached industrial lot	34.2

Source: Company data

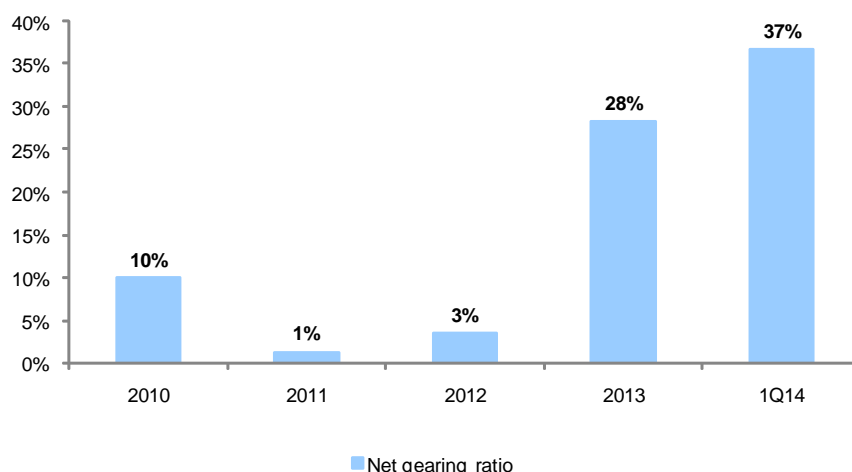
Figure 3: SCI's property development update

Taman Scientex Pasir Gudang	
Total GDV (MYRm)	1,645.0
Completed GDV (MYRm)	893.0
On-going projects (MYRm)	179.9
Take up rate (%)	92%
Units sold	888
Recognised sales (MYRm)	44.4
Unbilled sales (MYRm)	120.8
Taman Scientex Kulai	
Total GDV (MYRm)	867.0
Completed GDV (MYRm)	182.4
On-going projects (MYRm)	47.9
Take up rate (%)	98%
Units sold	282
Recognised sales (MYRm)	10.0
Unbilled sales (MYRm)	37.0
Taman Mutiara Mas Skudai	
Total GDV (MYRm)	2,253.0
Completed GDV (MYRm)	192.0
On-going projects (MYRm)	435.1
Take up rate (%)	85%
Units sold	484
Recognised sales (MYRm)	136.4
Unbilled sales (MYRm)	152.2
Taman Muzaffar Heights (Ayer Keroh)	
Total GDV (MYRm)	646.0
Completed GDV (MYRm)	104.5
On-going projects (MYRm)	59.6
Take up rate (%)	88%
Units sold	139
Recognised sales (MYRm)	19.2
Unbilled sales (MYRm)	34.2
Taman Scientex Senai	
Total GDV (MYRm)	1,254.0
Completed GDV (MYRm)	-
On-going projects (MYRm)	133.2
Take up rate (%)	50%
Units sold	45
Recognised sales (MYRm)	4.0
Unbilled sales (MYRm)	62.7

Source: Company data

Landbanking opportunities. Note that SCI recently purchased 48.4 acres of land in Kulai, Johor for MYR28.5m. This land is strategically located 1km from the town of Kulai, and 2km to the North-South highway via the Kulai toll plaza. Moving forward, we foresee potential for more landbanking exercises, as management intends to enlarge its property development footprint. We also take into account the group's fairly healthy balance sheet, with its net gearing at 36.7% as at 1QFY14.

Figure 17: SCI's net gearing ratio

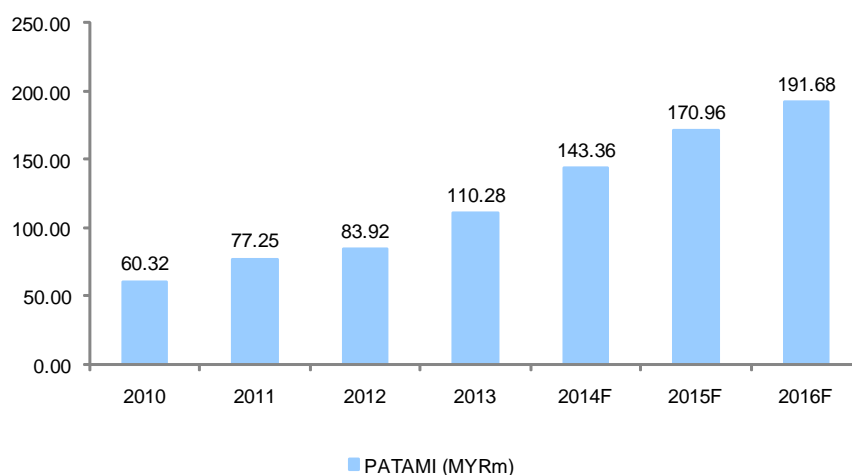


Source: Company data

Review of 1QFY14 performance. SCI's 1QFY14 revenue surged 51.2% y-o-y to MYR364.8m. This was led by its manufacturing arm, from which revenue expanded 67.5% y-o-y to MYR289.2m on higher stretch and consumer film sales. Meanwhile, revenue at the group's property division grew 9.7% y-o-y to MYR75.6m on improved uptake at its existing Johor and Melaka developments. All in, the group's 1QFY14 net profit increased by a smaller 18.0% y-o-y to MYR29.3m due to the lower margin from its manufacturing segment.

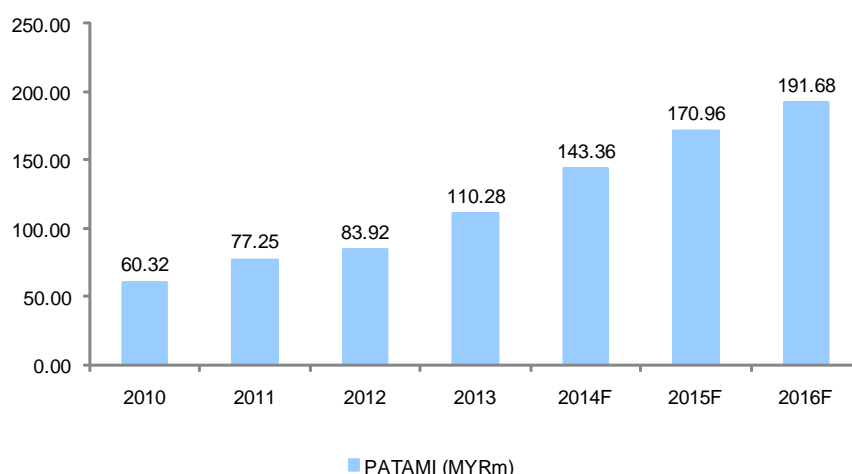
Performance projection. Moving forward, we are forecasting for SCI's FY14/15/16 net profits to reach MYR143m/171m/192m, up 30%/19%/12% y-o-y. We are also estimating 2014F-2016F revenue CAGRs of 9.2% and 7.8% for its manufacturing and property segments respectively. The growth of SCI's manufacturing segment will be driven by the expansion of its existing production lines. Out of its 194,000 tonnes of annual stretch film production capacity, three new lines at its Pulau Indah plant – totalling 40,000 tonnes per annum – just came online in Dec 2013. Management is targeting to fill the new production capacity in a year's time, with full-year contribution likely to come in by FY15. SCI's consumer packaging production capacity will also be increased by 50% to 51,000 tonnes annually (from 34,000 tonnes), as five new blown film extrusion machines – which will be delivered in stages – are expected to be fully-installed by August. The growth of the group's property development arm will be driven by the selective launch of a mix of affordable and middle- to high-end homes, which will be dependent upon demand and market conditions, and backed by its sizeable landbank. In the long run, its management is looking to increase the bottomline contribution from SCI's property development arm to 50% from 40% currently.

Figure 18: SCI's historical revenue and forecasts (MYRm)



Source: Company data, RHB estimates

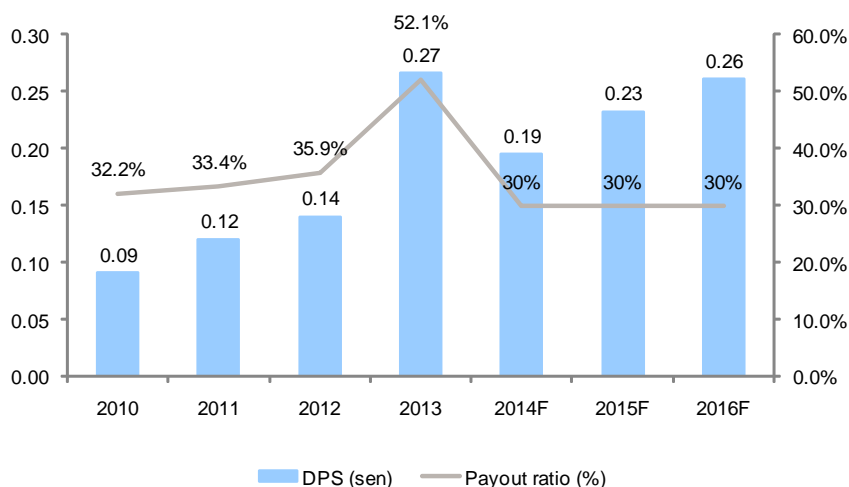
Figure 19: SCI's historical and forecast PATAMI (MYRm)



Source: Company data, RHB estimates

Dividend payout. Management set a minimum dividend policy of 30% of PATAMI effective FY11. However, SCI's historical payout ratios in FY11/12/13 stood at 33.4%/35.9%/52.1% respectively, ie it paid out more than what was specified in its policy. We are forecasting DPS of 19 sen/23 sen/26 sen for FY14F/15F/16F, which translate into a decent yield of 3.4-4.6% going forward. At this juncture, we do not discount the possibility of SCI paying out a ratio that is higher than the 30% of PATAMI stipulated, as we are forecasting for the group to turn net cash by FY16F.

Figure 20: SCI's DPS (sen) (LHS) with respective payout ratio (RHS)



Source: Company data, RHB estimates

Valuation. We initiate coverage on SCI with a BUY recommendation and MYR6.36 FV. This is premised on: i) pegging earnings from its manufacturing arm to a 12x CY14F P/E, and ii) equity value of MYR613.5m (or MYR2.77/share) for its property division based on DCF at 12% cost of equity. On a regional basis, we believe that the group is comparable to Berry Plastics (BERY US, NR), ie its closest competitor in stretch film manufacturing. Our 12x CY14F P/E valuation implies a reasonable 25% discount to Berry Plastics in view of SCI's relatively smaller earnings base. Lacking any direct comparison in the local market, we believe that some of the group's closest listed peers in Malaysia are Thong Guan Industries (TGI MK, NR) and BP Plastics (BPP MK, NR), as both are involved in stretch film manufacturing. Relative valuation comparisons are not meaningful considering that the earnings base of SCI's manufacturing arm is 5x BPP's and double that of TGI's. Given the 12% potential price upside, we initiate coverage on the group with a BUY recommendation.

Figure 21: SOP valuation

	Value (MYRm)	Per share (MYR)
CY14F 12x P/E for manufacturing segment	793.06	3.59
Equity value for property segment	613.54	2.77
Total	1,406.61	
FV per share (MYR)	6.36	

Source: RHB estimates

Figure 22: RNAV of SCI's property development business

Cost of equity	12.0%
Net surplus (MYR m)	528.3
NTA for property division (MYR m)	348.2
Total RNAV (MYR m)	876.5
Discount to RNAV	30.0%
Equity value (MYR m)	613.5

Source: RHB estimates

Figure 23: Regional peer comparison

Company	Bloomberg	Mkt Cap (USDm)	P/E (x)			EV/EBITDA (x)			Div Yield (%)		
	Ticker		CY13	CY14	CY15	FY13	FY14	FY15	FY13	FY14	FY15
Berry Plastics Group Inc ^	BERY US	2,741.4	19.1	15.8	12.7	8.7	8.0	7.6	0.0	0.0	0.0
Scientex	SCI MK	380.0	10.7	9.3	7.1	7.7	5.5	4.2	1.3	3.1	4.1

^based on Bloomberg estimates

Source: Bloomberg, RHB estimates

Figure 24: Local peer comparison

Company	Bloomberg	Mkt Cap (MYRm)	P/E (x)			EV/EBITDA (x)			Div Yield (%)		
	Ticker		CY13	CY14	CY15	FY13	FY14	FY15	FY13	FY14	FY15
Thong Guan Industries^	TGI MK	211.5	9.8	9.1	n/a	7.7	7.0	6.6	2.8	2.9	n/a
BP Plastics ^	BPP MK	120.7	11.8	n/a	n/a	6.7	6.0	5.6	5.7	n/a	n/a
Scientex	SCI MK	380.0	10.7	9.3	7.1	7.7	5.5	4.2	1.3	3.1	4.1
Sector average (ex-SCI)			10.8	9.1	n/a	7.2	6.5	6.1	4.2	2.9	n/a

^based on Bloomberg estimates

Source: Bloomberg, RHB estimates

Financial Exhibits

Profit & Loss (MYRm)	Jul-12	Jul-13	Jul-14F	Jul-15F	Jul-16F
Total turnover	881	1,229	1,366	1,590	1,761
Cost of sales	(703)	(982)	(1,061)	(1,232)	(1,370)
Gross profit	178	247	306	358	391
Gen & admin expenses	(45)	(70)	(78)	(90)	(100)
Selling expenses	(29)	(35)	(36)	(38)	(40)
Other operating costs	3	4	5	6	6
Operating profit	108	146	197	235	257
Operating EBITDA	131	178	242	285	309
Depreciation of fixed assets	(23)	(31)	(44)	(50)	(52)
Operating EBIT	108	146	197	235	257
Net income from investments	0	1	2	2	2
Interest expense	(1)	(4)	(9)	(7)	(2)
Pre-tax profit	107	143	190	229	257
Taxation	(19)	(30)	(44)	(55)	(62)
Minority interests	(4)	(2)	(3)	(3)	(4)
Profit after tax & minorities	84	110	143	171	192
Reported net profit	84	110	143	171	192
Recurring net profit	84	110	143	171	192

Source: Company data, RHB estimates

Cash flow (MYRm)	Jul-12	Jul-13	Jul-14F	Jul-15F	Jul-16F
Operating profit	108	146	197	235	257
Depreciation & amortisation	23	31	44	50	52
Change in working capital	22	51	(2)	(3)	6
Other operating cash flow	(0)	12	-	-	-
Operating cash flow	152	240	240	282	315
Tax paid	(23)	(27)	(44)	(55)	(62)
Cash flow from operations	129	213	196	227	253
Capex	(41)	(54)	(70)	(50)	(50)
Other new investments	-	(3)	-	-	-
Other investing cash flow	(71)	(291)	(40)	-	-
Cash flow from investing activities	(112)	(348)	(110)	(50)	(50)
Dividends paid	(28)	(17)	(43)	(51)	(58)
Shares repurchased	-	28	-	-	-
Increase in debt	8	246	5	(25)	(25)
Other financing cash flow	(2)	(6)	(9)	(7)	(2)
Cash flow from financing activities	(22)	251	(47)	(84)	(84)
Cash at beginning of period	41	36	152	191	285
Total cash generated	(5)	116	39	93	119
Implied cash at end of period	36	152	191	285	404

Source: Company data, RHB estimates

Financial Exhibits

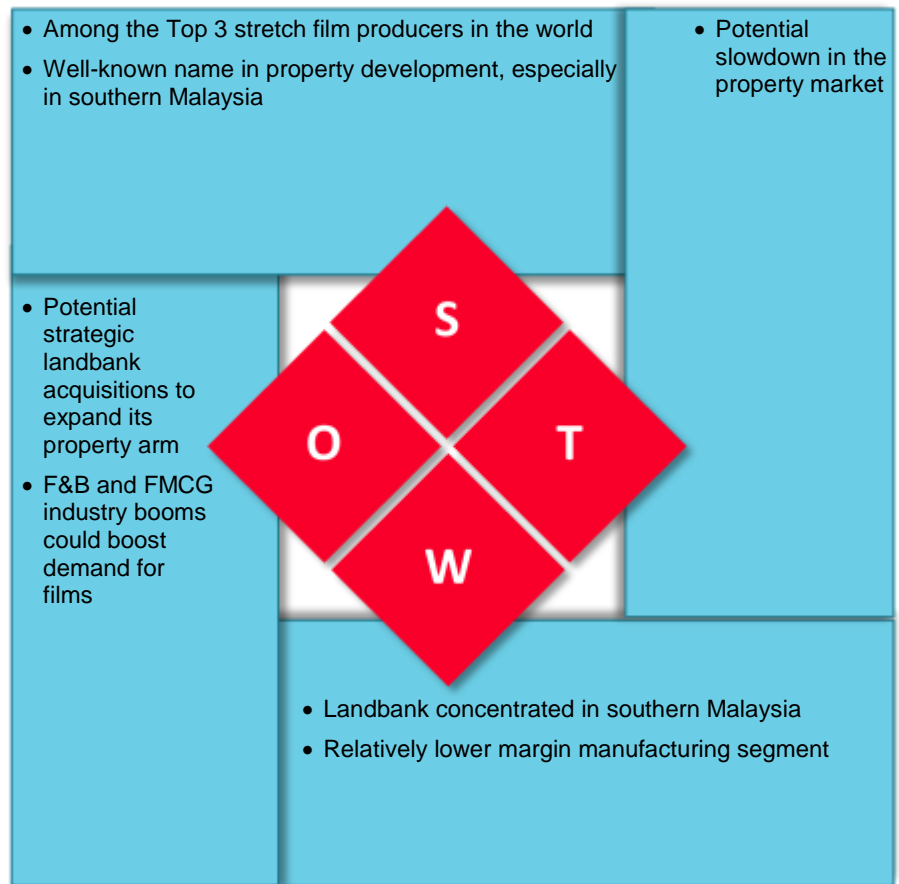
Balance Sheet (MYRm)	Jul-12	Jul-13	Jul-14F	Jul-15F	Jul-16F
Total cash and equivalents	36	152	191	285	404
Inventories	61	81	90	104	107
Accounts receivable	124	192	213	248	275
Other current assets	74	72	72	72	72
Total current assets	296	497	566	709	858
Total investments	42	43	43	43	43
Tangible fixed assets	471	746	812	812	810
Total non-current assets	513	790	855	856	853
Total assets	809	1,286	1,422	1,565	1,712
Short-term debt	51	168	170	158	145
Accounts payable	156	258	287	334	370
Other current liabilities	7	11	11	11	11
Total current liabilities	213	437	468	503	526
Total long-term debt	5	168	170	158	145
Other liabilities	31	33	33	33	33
Total non-current liabilities	36	201	203	191	178
Total liabilities	249	638	672	694	705
Share capital	115	115	115	115	115
Retained earnings reserve	-	-	99	216	348
Other reserves	411	514	514	514	514
Shareholders' equity	526	629	727	845	977
Minority interests	34	20	23	26	30
Other equity	-	0	0	(0)	0
Total equity	560	649	750	871	1,007
Total liabilities & equity	809	1,286	1,422	1,565	1,712

Source: Company data, RHB estimates

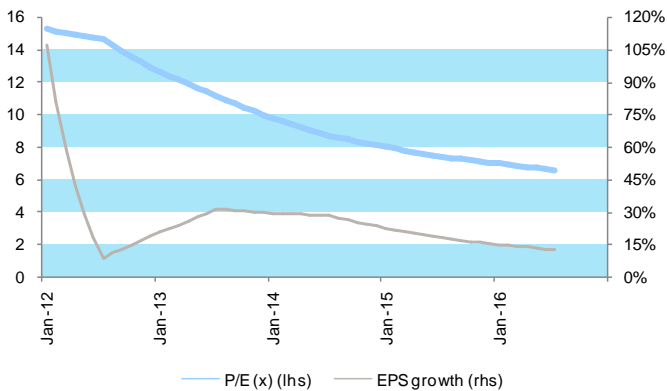
Key Ratios (MYR)	Jul-12	Jul-13	Jul-14F	Jul-15F	Jul-16F
Revenue growth (%)	9.6	39.5	11.2	16.3	10.8
Operating profit growth (%)	10.4	35.8	35.1	19.0	9.2
Net profit growth (%)	8.6	31.4	30.0	19.3	12.1
EPS growth (%)	8.6	31.1	28.2	17.9	12.1
Bv per share growth (%)	12.5	19.0	13.0	16.2	15.6
Operating margin (%)	12.2	11.9	14.4	14.8	14.6
Net profit margin (%)	9.5	9.0	10.5	10.8	10.9
Return on average assets (%)	10.9	10.5	10.6	11.4	11.7
Return on average equity (%)	16.9	19.1	21.1	21.7	21.0
Net debt to equity (%)	3.5	28.3	19.9	3.5	(11.3)
DPS	0.14	0.27	0.19	0.23	0.26
Recurrent cash flow per share	0.60	0.99	0.90	1.03	1.15

Source: Company data, RHB estimates

SWOT Analysis

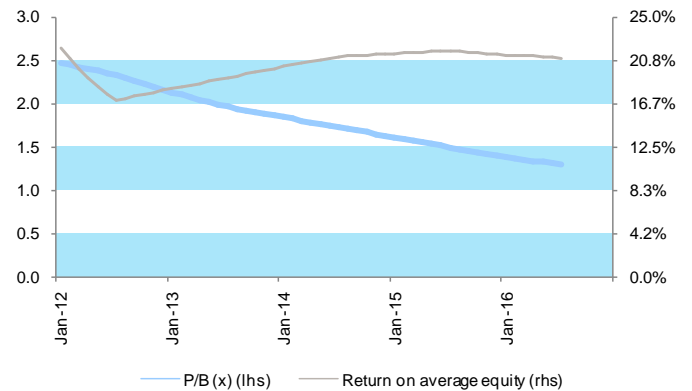


P/E (x) vs EPS growth



Source: Company data, RHB estimates

P/BV (x) vs ROAE



Source: Company data, RHB estimates

Company Profile

Scientex (SCI) is a manufacturer of industrial packaging with manufacturing facilities in Malaysia and Vietnam. It also has a property development arm with projects concentrated in southern Malaysia.

Recommendation Chart



Source: RHB estimates, Bloomberg

Date	Recommendation	Target Price	Price
2014-03-12			

Source: RHB estimates, Bloomberg

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