



Scientex Berhad

OVERWEIGHT

4Q FY08: 218% increase in PBT

Fair Value
RM1.86 (+64.6%)

Stock Data

Price (RM)	1.13
Stock code	0118
Bloomberg Ticker	SCI MK
Listing	Main Board
Share Cap (RM mn)	115.2
Market Cap (RM mn)	260.40
Par value (RM)	0.50
52-wk high (RM)	1.45
52-wk low (RM)	1.02
Major shareholders:-	
Scientex Holdings	16.03%
Scientex Leasing	9.44%
TM Lim	7.82%

Financial Data

12 month trailing PER (x)	4.77
BV per share (RM)	3.25
P/BV (x)	0.35
ROE (%)	12.91
Beta (x)	0.86
Altman Z Score	2.08
Dividend yield (%)	2.65

Relative Performance (%)

1-month	2.83
3-month	6.36
6-month	11.84
12-month	7.76
YTD	18.22

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Investment Highlights

Scientex released its 4Q FY08 results. The results came in above expectations. Scientex achieved 100.4% and 138.4% of 2008F revenue and bottom-line estimates.

Results. Revenue increased by 12.9% and 1.2% as compared to the previous year corresponding quarter and preceding quarters respectively. Correspondingly, PBT increased by a hefty 218.2% and 69.6% respectively. Full year revenue and PBT increased by 7.1% and 43.3% respectively.

Review. The increase of revenue and improved margins was attributable to the higher selling prices and product mix of higher-margin products in the manufacturing division. Manufacturing revenue was higher than the corresponding year and preceding quarters. However bottom-line was higher than the corresponding year quarter but lower than the preceding quarter. The higher than expected bottom-line was also primarily attributable to a one-off negative goodwill gain of RM11.8mn from the completion of corporate exercises undertaken by the group.

Outlook. Management is in view that the next financial year is expected to be satisfactory. Price of resin, Scientex's key raw material in its manufacturing operation, has eased in line with declining crude oil prices. Margins are expected to improve as a result. Scientex continues to focus on its R&D to launch higher value products and to gain better market penetration worldwide.

Dividend announcement. Scientex has declared a final dividend of 10% or 10 sen per share. The ex-date is on 23/12/08 while the entitlement date is on 26/12/08. The dividend is subject to shareholder's approval on the forthcoming AGM. Upon approval, total gross dividend would total 8 sen or 16% per share for the year. Based on the current share price, the dividend yield would total a generous 7.1% for the year.

Recommendation. We maintain our overweight recommendation on Scientex with an unchanged fair value of RM1.86. This is based on a forward PER of 8.5x and 2009F's EPS of 21.9sen.



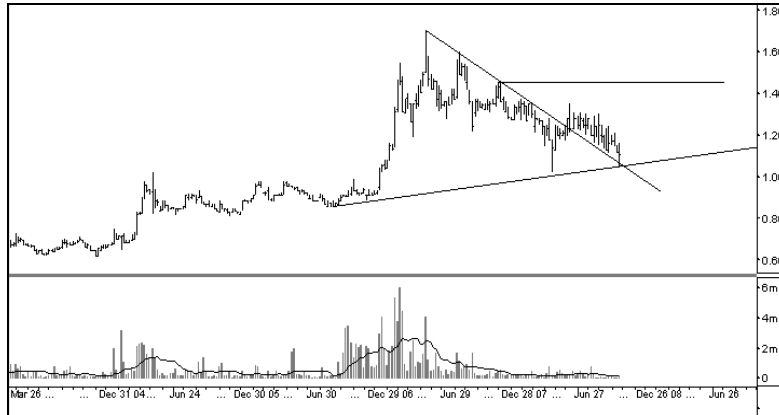
Results comparison						
FYE 31 July		4Q FY07	3Q FY08	4Q FY08	Q-o-Q	Y-o-Y
	Units				%	%
Revenue	RM mn	148.4	165.6	167.6	1.2	12.9
Operating profit	RM mn	7.9	13.8	22.3	61.3	184.1
Finance cost	RM mn	(0.9)	(0.8)	(0.7)	(16.1)	(21.6)
Investing results	RM mn	0.1	0.2	0.8	309.3	1262.1
Profit before Tax	RM mn	7.1	13.2	22.4	69.6	218.2
Taxation	RM mn	2.8	(1.3)	(0.3)	76.8	(110.7)
Minority interest	RM mn	(0.5)	(1.6)	(0.3)	(79.5)	(35.5)
Profit att to shareholders	RM mn	9.4	10.3	21.8	111.4	132.9
EPS	sen	4.9	5.2	10.1	93.5	106.5
Margins %						
Operating margin	%	5.3	8.4	13.3	59.3	151.6
PBT margin	%	4.8	8.0	13.4	67.6	181.8
Net margin	%	6.3	6.2	13.0	108.8	106.2

Cummulative Results comparison				
FYE 31 July		4Q FY07	4Q FY08	Y-o-Y
	Units			%
Revenue	RM mn	613.1	656.6	7.1
Operating profit	RM mn	43.8	59.3	35.5
Finance cost	RM mn	(4.3)	(3.3)	(22.2)
Investing results	RM mn	0.7	1.7	128.1
Profit before Tax	RM mn	40.2	57.6	43.3
Taxation	RM mn	1.2	(4.4)	(456.3)
Minority interest	RM mn	(6.3)	(5.3)	(14.9)
Profit att to shareholders	RM mn	35.2	47.9	36.1
EPS (sen)	sen	18.3	24.2	32.5
Margins %				
Operating margin	%	7.1	9.0	26.5
PBT margin	%	6.6	8.8	33.8
Net margin	%	5.7	7.3	27.1



P&L Analysis					
		2006	2007	2008	2009F
FYE 31st July	Units				
Revenue	RM mn	586.3	613.1	656.6	689.0
Operating Profit	RM mn	47.5	43.8	59.3	55.3
Finance cost	RM mn	-3.7	-4.3	-3.3	-2.4
Other income	RM mn	0.3	0.7	1.7	0.5
PBT	RM mn	44.0	40.2	57.6	53.4
Tax	RM mn	-6.6	1.2	-4.4	-6.9
MI	RM mn	-9.0	-6.3	-5.3	1.3
Net profit	RM mn	28.5	35.2	47.9	47.7
Net margin	%	0.0	0.1	0.1	0.1
Revenue Growth	%	0.2	0.0	0.1	0.0
PBT Growth	%	0.2	-0.1	0.4	-0.1
Net Growth	%	0.3	0.2	0.4	0.0

Per Share Data					
		2006	2007	2008	2009F
FYE 31st July	Units				
Book Value	RM	1.43	1.51	1.71	1.86
Cash Flow	RM	0.5	0.4	0.3	0.5
EPS	sen	15.1	18.7	25.5	21.9
Dividend	RM	0.1	0.0	0.1	0.1
Payout ratio	%	57.2	16.0	23.6	32.0
PER	X	5.7	8.1	4.7	5.5
P/Cash Flow	X	1.6	4.2	3.6	2.2
P/Book Value	X	0.6	1.0	0.7	0.6
Dividend yield	%	10.1	2.0	5.0	5.8
ROE	%	10.6	12.4	13.8	11.3
Net Gearing	%	23.6	15.8	11.9	-12.7

**Technical Analysis****SCIENTX (Stock code: 4731) – Oversold**

Resistance : 1.30 1.45

Support : 1.05

Share price is at 1.16 on 25/9/08. The recent correction from 1.35 of 7 May 2008, has found a trendline support at 1.05 on 18 September. The current technical rebound will be testing the immediate resistance at the June's 1.30 level. Upside is likely to be capped at the October 2007's high of 1.45.