



Scientex Berhad

OVERWEIGHT

2Q FY09: Below expectations

Fair Value
RM1.11 (+29.1%)

Stock Data

Price (RM)	0.86
Stock code	4731
Bloomberg Ticker	SCI MK
Listing	Main Board
Share Cap (RM mn)	115.2
Market Cap (RM mn)	197.80
Par value (RM)	0.50
52-wk high (RM)	1.35
52-wk low (RM)	0.82
Major shareholders:-	
Scientex Holdings	16.06%
Scientex Leasing	9.46%
TM Lim	7.84%

Financial Data

12 month trailing PER (x)	4.02
BV per share (RM)	1.63
P/BV (x)	0.53
ROE (%)	15.13
Beta (x)	0.79
Altman Z Score	2.71
Dividend yield (%)	5.81

Relative Performance (%)

1-month	-6.89
3-month	-14.13
6-month	-6.75
12-month	1.48
YTD	-4.86

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Investment Highlights

Scientex released its 2Q FY09 results. The results came in below expectations. The cumulative results for the two quarters achieved only 40.4% and 37.9% of 2009F revenue and profit attributable to shareholders respectively.

Results. Revenue decreased by 29.8% and 35.6% as compared to the preceding and corresponding year quarters respectively. The correspondingly profit attributable to shareholders decreased by 26.6% and 40.5% respectively.

Review. The revenue decrease was mainly attributable to the lower sales and selling prices in the manufacturing division. This was due to the industry slowdown of the automotive and electronics & electrical industries globally. The low revenue and lower selling price in turn caused the low bottom-line.

Outlook. The global economic slowdown is expected to impact Scientex especially on its export markets. However the market downturn may be finding its bottom already and a recovery could be supported by the large stimulus packages being announced and implemented globally. Any major recovery however would take several quarters. Moreover, the lower raw material prices will be favourable to Scientex. Scientex has however taken and implemented proactive measures to face the slowdown. The group will focus on its management of cash flow, further reduce operating cost, improve production efficiency and further position itself in any new and good business opportunities. This is expected to contribute to results in the following quarters.

Risks. Risks to Scientex's earnings would be a long and extended downturn in the global economy. We expect the following quarters especially the next one to be challenging.

Recommendation. We maintain our overweight recommendation on Scientex with a lower fair value of RM1.11. This is based on a forward PER of 7.0x and 2009F's EPS of 15.8sen.



Results comparison						
FYE 31 July		2Q FY08	1Q FY09	2Q FY09	Q-o-Q	Y-o-Y
	Units				%	%
Revenue	RM mn	167.5	153.4	107.8	(29.8)	(35.6)
Operating profit	RM mn	13.4	9.2	6.7	(26.9)	(50.2)
Finance cost	RM mn	(0.8)	(0.6)	(0.5)	(19.6)	(37.6)
Investing results	RM mn	0.4	0.3	0.1	(56.7)	(68.7)
Profit before Tax	RM mn	13.0	8.8	6.3	(28.4)	(51.5)
Taxation	RM mn	(1.6)	(1.0)	(0.6)	32.0	(59.5)
Minority interest	RM mn	(2.1)	(0.3)	(0.1)	(63.1)	(94.8)
Profit att to shareholders	RM mn	9.3	7.6	5.5	(26.6)	(40.5)
EPS	sen	5.0	3.5	2.6	(26.8)	(48.2)
Margins %						
Operating margin	%	8.0	6.0	6.2	4.1	(22.6)
PBT margin	%	7.8	5.7	5.8	1.9	(24.7)
Net margin	%	5.6	4.9	5.1	4.5	(7.6)

Cumulative Results comparison				
FYE 31 July		2Q FY08	2Q FY09	Y-o-Y
	Units			%
Revenue	RM mn	323.4	261.2	(19.2)
Operating profit	RM mn	23.1	15.8	(31.5)
Finance cost	RM mn	(1.8)	(1.2)	(36.7)
Investing results	RM mn	0.7	0.4	(38.4)
Profit before Tax	RM mn	22.0	15.1	(31.2)
Taxation	RM mn	(2.8)	(1.6)	(42.5)
Minority interest	RM mn	(3.4)	(0.4)	(88.2)
Profit att to shareholders	RM mn	15.8	13.1	(17.0)
EPS (sen)	sen	8.4	6.1	(27.4)
Margins %				
Operating margin	%	7.1	6.1	(15.1)
PBT margin	%	6.8	5.8	(14.9)
Net margin	%	4.9	5.0	2.7



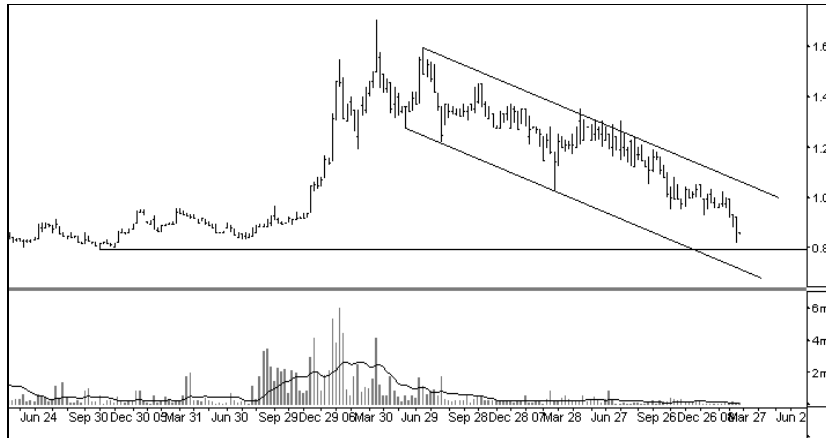
P&L Analysis					
		2006	2007	2008	2009F
FYE 31st July	Units				
Revenue	RM mn	586.3	613.1	656.6	647.0
Operating Profit	RM mn	47.5	43.8	59.3	43.0
Finance cost	RM mn	-3.7	-4.3	-3.3	-2.4
Other income	RM mn	0.3	0.7	1.7	0.5
PBT	RM mn	44.0	40.2	57.6	41.1
Tax	RM mn	-6.6	1.2	-4.4	-5.3
MI	RM mn	-9.0	-6.3	-5.3	-1.2
Net profit	RM mn	28.5	35.2	47.9	34.5
Net margin	%	4.9	5.7	7.3	5.3
Revenue Growth	%	15.5	4.6	7.1	-1.5
PBT Growth	%	22.4	-8.7	43.3	-28.7
Net Growth	%	28.7	23.6	36.1	-27.9

Per Share Data					
		2006	2007	2008	2009F
FYE 31st July	Units				
Book Value	RM	1.43	1.51	1.71	1.80
Cash Flow	RM	0.5	0.4	0.3	0.5
EPS	sen	15.1	18.7	25.5	15.8
Dividend	RM	0.1	0.0	0.1	0.1
Payout ratio	%	57.2	16.0	23.6	44.2
PER	X	5.7	8.1	4.4	5.4
P/Cash Flow	X	1.6	4.2	3.4	2.1
P/Book Value	X	0.6	1.0	0.7	0.6
Dividend yield	%	10.1	2.0	5.3	6.2
ROE	%	10.6	12.4	13.8	8.2
Net Gearing	%	23.6	15.8	11.9	-12.4

Constituent of Indices	
Kuala Lumpur Composite Index	No
FTSE Bursa Malaysia Large 30 Index	No
FTSE Bursa Malaysia Mid 70 Index	No
FTSE Bursa Malaysia EMAS Shariah Index	No



Technical Stock Picks



SCIENTX (Stock code: 4731) – Limited Downside

Resistance : 1.02 1.13
Support : 0.79

Share price is at 0.86 on 20/3/09. It went down to a low of 0.81 on 10/3/09, following the downside breakout of the November – February consolidation. As the current level is a few points from the strong support level at 0.79, of October 2005, the share is due for a technical rebound to test the upper trend channel at 1.02. Resistance is at 1.13.