

Results Report

2 October 2009

SJ Securities Sdn. Bhd.

PP7084/11/2006

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Scientex Berhad

4Q FY09: Slightly Above Expectations

Hold
Fair Value
RM1.17 (-7.14%)

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Stock Data

Price (RM)	1.26
Stock code	4731
Bloomberg Ticker	SCI MK
Listing	Main Board
Share Cap (RM mn)	115.2
Market Cap (RM mn)	289.80
Par value (RM)	0.50
52-wk high (RM)	1.36
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)	7.25
BV per share (RM)	1.74
P/BV (x)	0.72
ROE (%)	10.39
Beta (x)	0.73
Altman Z Score	2.86
Dividend yield (%)	3.97

Relative Performance (%)

1-month	-4.10
3-month	-5.48
6-month	-6.04
12-month	-9.98
YTD	-1.69

Investment Highlights

Scientex released its 4Q FY09 results. The results came in slightly above our expectations from the previous quarter. The cumulative results for the FY09 achieved 102.4% and 113.6% our 2009's full year revenue and net profit forecasts respectively.

Results. Revenue and net profit increased slightly against the previous quarter but pales in comparison against the corresponding year quarter, with a decrease in revenue of 19.6%. Bottom line was even more disappointing with a decrease of 34.1% compared to the same period last year. Despite disappointing YoY results, Scientex managed a fair increase in revenues and net profit QoQ of 18.5% and 44% respectively. On a more positive note, for FY09 net cash generated from operations was higher by 12% compared to FY08. Net gearing is also steadily declining as the company pays of its debt and is in line to be in a net cash position by end of FY10.

Review. The significant revenue decline as compared to the same period last year is mainly attributed to the economic slowdown. The slowdown caused lower demand which in turn caused a decline in selling prices. Despite various recovery expectations, the real economic activities were still slow thus affecting top line. The lower revenue also affected the company's bottom line, coupled with lower margins due to higher crude oil prices. Other operating costs however remain stable, as the company continues to operate efficiently.

Outlook. As the global economy recovers, we expect Scientex revenue to be positively affected, with automotive and Electrical & Electronics industries picking up. However, we believe the results to show in the latter half of FY10, around Q3-Q4, as recovery would be slow. Expect FY10 top line to be slightly better compared to FY09. We do not expect net earnings to grow in tandem with revenue as high crude oil prices will affect raw materials costs. Resin, the company's main raw material for their products, is a derivative of crude oil. Crude oil futures for November delivery as of today rose to more than USD70 on the Nymex. We are expecting the company's property division to fare about better than their manufacturing division in line with the economic recovery.

Risks. A longer than expected recovery period would surely affect revenues due to low demand for manufacturing products continues. Another worry would be prices of crude oil shooting up as projects start to pick up globally.

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However, even without sharp increases in prices, crude oil is already trading high and is expected to steadily increase within the next few years.

Recommendation. We have revised our FY10 EPS forecasts to reflect lower operating margins due to high crude oil prices. We maintain our hold recommendation with a fair value of RM1.17. Fair value is derived from forecasted FY10 EPS of 15.6 and PER of 7.5x.

Results comparison						
FYE 31 July		4Q FY08	3Q FY09	4Q FY09	Q-o-Q	Y-o-Y
	Units				%	%
Revenue	RM mn	167.6	113.7	134.8	18.5	(19.6)
Operating profit	RM mn	22.3	11.1	15.6	41.0	(30.2)
Finance cost	RM mn	(0.7)	(0.3)	(0.4)	35.5	(37.4)
Investing results	RM mn	0.8	0.4	0.6	63.5	(17.8)
Profit before Tax	RM mn	22.4	11.1	15.8	42.0	(29.5)
Taxation	RM mn	(0.3)	(0.9)	(1.0)	(12.7)	229.6
Minority interest	RM mn	(0.3)	(0.3)	(0.4)	65.6	35.0
Profit att to shareholders	RM mn	21.8	10.0	14.4	43.9	(34.1)
EPS	sen	10.1	4.6	6.7	43.8	(34.0)
Margins %						
Operating margin	%	13.3	9.7	11.6	19.0	(13.1)
PBT margin	%	13.4	9.8	11.7	19.8	(12.3)
Net margin	%	13.0	8.8	10.7	21.5	(18.0)

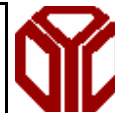
Cumulative Results comparison				
FYE 31 July		4Q FY08	4Q FY09	Y-o-Y
	Units			%
Revenue	RM mn	656.6	509.7	(22.4)
Operating profit	RM mn	59.3	42.5	(28.3)
Finance cost	RM mn	(3.3)	(1.9)	(42.8)
Investing results	RM mn	1.5	1.5	0.5
Profit before Tax	RM mn	57.4	42.1	(26.8)
Taxation	RM mn	(4.4)	(3.5)	(20.6)
Minority interest	RM mn	(5.3)	(1.1)	(79.1)
Profit att to shareholders	RM mn	47.7	37.5	(21.5)
EPS (sen)	sen	24.1	17.4	(28.0)
Margins %				
Operating margin	%	9.0	8.3	(7.7)
PBT margin	%	8.7	8.2	(5.7)
Net margin	%	7.3	7.3	1.2



P&L Analysis						
FYE 31st July	Units	2007	2008	2009	2010F	2011F
Revenue	RM mn	613.1	656.6	509.7	520.0	540.1
Operating Profit	RM mn	43.8	59.3	42.5	39.9	43.4
Finance cost	RM mn	(4.3)	(3.3)	(1.9)	(2.3)	(3.4)
Other income	RM mn	0.7	1.7	1.5	1.2	1.4
PBT	RM mn	40.2	57.6	42.1	38.8	41.4
Tax	RM mn	1.2	(4.4)	(3.5)	(5.0)	(4.1)
MI	RM mn	(6.3)	(5.3)	(1.1)	(0.2)	(1.0)
Net profit	RM mn	35.2	47.9	37.5	33.6	36.3
Net margin	%	5.7%	7.3%	7.3%	6.5%	6.7%
Revenue Growth	%	4.6%	7.1%	-22.4%	2.0%	3.9%
PBT Growth	%	-8.7%	43.3%	-27.0%	-7.7%	6.7%
Net Growth	%	23.6%	36.1%	-21.8%	-10.4%	8.3%

Per Share Data						
FYE 31st July	Units	2007	2008	2009	2010F	2011F
Book Value	RM	1.51	1.71	1.88	2.04	2.16
Cash Flow	RM	0.36	0.34	0.33	0.26	0.29
EPS	sen	18.7	25.5	17.4	15.6	16.9
Dividend	RM	0.03	0.06	0.00	0.00	0.05
Payout ratio	%	16.0	23.6	0.0	0.0	29.6
PER	X	8.1	4.4	7.2	8.1	7.5
P/Cash Flow	X	4.2	3.4	3.8	4.9	4.4
P/Book Value	X	1.0	0.7	0.7	0.6	0.6
Dividend yield	%	2.0	5.3	0.0	0.0	4.0
ROE	%	12.4	13.8	9.4	8.0	8.4
Net Gearing	%	15.8	11.9	5.6	Net Cash	Net Cash

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



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Stock rating definitions

Buy – The stock is expected to perform positively. Expected return including both capital appreciation and dividends is expected to exceed 15% over 12 months.

Hold – The stock is expected to stay sidelined. Expected return including both capital appreciation and dividends is expected to range between negative 5% to positive 15% over 12 months.

Sell – The stock is expected to perform negatively. Expected return including both capital appreciation and dividends is expected to be negative 5% or lower over 12 months.

Not Rated – The stock is not under research coverage and the reports serves for purely informational purposes only.

Trading Buy – The stock is expected to be volatile while providing for near term positive trading opportunities. This is under the high risk category with near term catalysts.
