

## Results Report

29 March 2010

SJ Securities Sdn. Bhd.

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## Scientex Berhad

2Q FY10: Above Expectations

**Hold**  
Fair Value  
RM1.46 (-1.4%)

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### Stock Data

Price (RM)	1.48
Stock code	4731
Bloomberg Ticker	SCI MK
Listing	Main Board
Share Cap (RM mn)	115.2
Market Cap (RM mn)	340.4
Par value (RM)	0.50
52-wk high (RM)	1.58
52-wk low (RM)	0.86
Major shareholders:-	
Scientex Holdings	16.06%
Scientex Leasing	10.04%
TM Lim S/B	8.23%

### Financial Data

12 month trailing PER (x)	6.37
BV per share (RM)	1.86
P/BV (x)	0.80
ROE (%)	10.39
Beta (x)	0.87
Altman Z Score	2.56
Dividend yield (%)	3.37

### Relative Performance (%)

1-month	5.61
3-month	-1.33
6-month	3.47
12-month	14.18
YTD	-0.84

### Investment Highlights

**Scientex released its 2Q FY10 results.** The results came in above our expectations with revenues and net profit both at 57% of our full year forecasts respectively. We are maintaining our forecasts and fair value at RM1.46 with a Hold call.

**Results.** Q-o-Q, revenue was slightly lower by 3.8%, or RM158.7 mil vs RM164.9 mil in the 1Q. Net profit was slightly higher by 1.6%, at RM12.9 mil. Compared to the same period last year, revenue grew by 47.2% from RM107.8 mil last year. Net profit more than doubled as compared to the corresponding period last year. 1H FY10 revenue grew by 23.9%, while bottom line almost doubled.

**Review.** The higher revenue was due to better sales performance from both the manufacturing and property divisions. For 1H FY10, the company's operating margins was better than 1H FY09, (6.1% vs 8.9%) thus contributing to higher net profit. Despite the lower topline as compared to the previous quarter, bottom line was better due to better margins, due to increased capacity.

**Outlook.** We are optimistic that the group will perform better for FY2010, as the global economy recovers. The group has recently acquired a sizeable landbank in the Iskandar region, to tap in to the growing demand for affordable housing. This would provide strong growth potential for their topline.

**Risks.** The company's main raw material is derived from crude oil, which is steadily increasing in prices. An unexpected spike in the prices of crude oil would significantly affect their bottom line.

**Recommendation.** We are maintaining our Hold call on the stock with an unchanged fair value of RM1.46 based on FY10 forecasted EPS of 19.5 sen, pegged to a PER of 7.5 times.

Our reports are available for download on SJenie website as stated below.

### SJ Securities Sdn Bhd

A Participating Organisation  
of Bursa Malaysia Securities  
Bhd

[www.sjsec.com.my](http://www.sjsec.com.my)

Tel: 603-5634 0202

Fax: 603-56376811



<b>Results comparison</b>						
<b>FYE 31 July</b>		<b>2Q FY09</b>	<b>1Q FY10</b>	<b>2Q FY10</b>	<b>Q-o-Q</b>	<b>Y-o-Y</b>
	<b>Units</b>				<b>%</b>	<b>%</b>
<b>Revenue</b>	<b>RM mn</b>	<b>107.8</b>	<b>164.9</b>	<b>158.7</b>	<b>(3.8)</b>	<b>47.2</b>
Operating profit	RM mn	6.7	14.0	14.9	6.6	122.3
Finance cost	RM mn	(0.5)	(0.1)	(0.2)	107.1	(60.6)
Investing results	RM mn	0.1	0.8	0.4	(53.3)	207.1
<b>Profit before Tax</b>	<b>RM mn</b>	<b>6.3</b>	<b>14.7</b>	<b>15.1</b>	<b>2.5</b>	<b>139.1</b>
Taxation	RM mn	(0.6)	(1.5)	(1.6)	(8.5)	146.7
Minority interest	RM mn	(0.1)	(0.5)	(0.5)	7.8	386.1
<b>Profit att to shareholders</b>	<b>RM mn</b>	<b>5.5</b>	<b>12.7</b>	<b>12.9</b>	<b>1.6</b>	<b>133.4</b>
EPS	sen	2.6	5.9	6.0	1.7	133.9
<b>Margins %</b>						
Operating margin	%	6.2	8.5	9.4	10.8	51.0
PBT margin	%	5.8	8.9	9.5	6.6	62.4
Net margin	%	5.1	7.7	8.2	5.6	58.5

<b>Cumulative Results comparison</b>				
<b>FYE 31 July</b>		<b>2Q FY09</b>	<b>2Q FY10</b>	<b>Y-o-Y</b>
	<b>Units</b>			<b>%</b>
<b>Revenue</b>	<b>RM mn</b>	<b>261.2</b>	<b>323.6</b>	<b>23.9</b>
Operating profit	RM mn	15.8	28.8	81.9
Finance cost	RM mn	(1.2)	(0.3)	(74.0)
Investing results	RM mn	0.4	1.2	191.7
<b>Profit before Tax</b>	<b>RM mn</b>	<b>15.1</b>	<b>29.8</b>	<b>97.0</b>
Taxation	RM mn	(1.6)	(3.1)	91.9
Minority interest	RM mn	(0.4)	(1.0)	152.4
<b>Profit att to shareholders</b>	<b>RM mn</b>	<b>13.1</b>	<b>25.7</b>	<b>96.0</b>
EPS (sen)	sen	6.1	11.9	96.1
<b>Margins %</b>				
Operating margin	%	6.1	8.9	46.9
PBT margin	%	5.8	9.2	59.1
Net margin	%	5.0	7.9	58.2

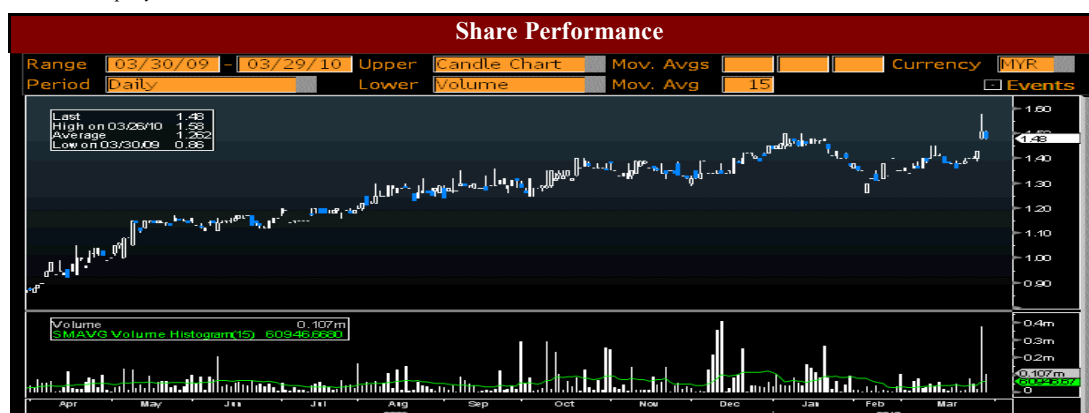
# SJ SECURITIES SDN BHD



P&L Analysis						
		2007	2008	2009	2010F	2011F
FYE 31st July	Units					
Revenue	RM mn	613.1	656.6	498.0	570.0	540.1
Operating Profit	RM mn	43.8	59.3	39.0	54.0	43.4
Finance cost	RM mn	-4.3	-3.3	-1.9	-2.3	-3.4
Other income	RM mn	0.7	1.7	1.1	1.2	1.4
PBT	RM mn	40.2	57.6	38.2	48.6	41.4
Tax	RM mn	1.2	-4.4	-4.0	-5.3	-4.1
MI	RM mn	-6.3	-5.3	-1.2	-0.2	-1.0
Net profit	RM mn	35.2	47.9	33.0	44.9	36.3
EPS	sen	15.3	20.8	14.3	19.5	15.8
Net margin	%	5.7	7.3	6.6	7.9	6.7
Revenue Growth	%	4.6	7.1	-24.2	14.5	3.9
PBT Growth	%	-8.7	43.3	33.7	27.2	6.7
Net Growth	%	23.6	36.1	-31.1	36.1	8.3

Per Share Data						
		2007	2008	2009	2010F	2011F
FYE 31st July	Units					
Book Value	RM	1.51	1.71	1.88	2.04	2.16
Cash Flow	RM	0.4	0.3	0.3	0.3	0.3
Dividend	RM	0.0	0.1	0.0	0.0	0.1
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	0.0	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

Source : company



Source : Bloomberg



<b>Constituent of Indices</b>	
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.

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