



TA SECURITIES

A MEMBER OF THE TA GROUP

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COMPANY UPDATE

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FBM KLCI: 1,464.11

Scientex Berhad

Strong Start

Friday, December 16, 2011

TP: RM2.90 (+15.5%)

Business Summary : Manufacturing Company
Major Shareholders (%) : Scientex Holdings (16.3)
 : Scientex Leasing (10.12)
 : TM Lim Sdn Bhd (10.12)
Company Website : www.scientex.com.my
IR Contact : Tan Hong Koon

Recommendation: Buy
Market Capitalisation (RMmn): RM577.3
Current Price: RM2.51
Market/ Sector: Manufacturing
Stock Code: 4731

FBM KLCI FBM Mid 70 FBM Emas Shariah FBM Hijrah

TA Research Team Coverage

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Key Stock Statistics

YE July (RMmn)		2011	2012F
EPS	(sen)	46.04	56.47
PER	(x)	5.45	4.44
Gross div/ share	(sen)	13.81	16.94
NTA/share	(RM)	2.35	2.75
Book value/ share	(RM)	2.35	2.75
Issued capital	(mn shares)	230.00	230.00
52 weeks share price range	(RM)	2.94 (high)	1.75 (low)

Per Share Data

YE July (RMmn)		2009	2010	2011	2012F
Book Value	(RM)	1.8	2.0	2.4	2.7
Cash Flow	(ser)	10.1	43.0	(16.9)	(11.9)
Earnings	(ser)	27.1	33.6	46.0	56.5
Dividend	(ser)	9.0	11.1	13.8	16.9
Payout Ratio		33.2	0.3	0.3	0.3
PER (x)	(x)	9.3	7.5	5.5	4.4
P/ Cash Flow	(x)	24.9	5.8	nm	nm
P/ Book Value	(x)	1.4	1.2	1.1	0.9
Dividend Yield	(%)	3.6	4.4	5.5	6.7
ROE	(%)	15.0	16.5	19.6	20.5
Net Gearing	(%)	10.8	1.4	14.1	7.9

P&L Analysis (RM mil)

YE July (RMmn)		2009	2010	2011	2012F
Revenue		694.8	804.0	1027.9	1220.7
Operating Profit		70.0	97.4	120.3	148.5
Depreciation		-23.6	-27.1	-24.1	-25.7
Interest Expenses		-1.3	-1.6	0.7	0.4
Pre-tax Profit		70.8	96.6	123.0	150.9
Effective Tax Rate	(%)	12.2	0.1	0.1	0.1
Net Profit		62.3	77.2	105.9	129.9
Operating Margin	(%)	10.1	12.1	11.7	12.2
Pre-tax Margin	(%)	10.2	12.0	12.0	12.4
Net-Margin	(%)	9.0	9.6	10.3	10.6

Share Price relative to the FBM KLCI



Source: Bloomberg

1. Review

Scientex Berhad recorded another round of strong results, opening its financial year with a decent double digit growth. Net profit reported was within TA's estimates.

YoY, net profit grew by a healthy 22.5% to RM21.4mn whilst revenue rose by 14.5% to RM213.8mn. The strong performance was driven by both segments; manufacturing grew by 8% whilst property revenue rose 6%. EBITDA was growing strong by 23% YoY.

QoQ, net profit grew slightly by 3% whilst revenue rose by 4%.

No dividend has been proposed for this quarter.

P&L Analysis (RMmil)

YE July	1QFY12	4QFY11	1QFY11	YoY (%)	QoQ (%)
Revenue	213.8	205.2	186.6	14.5	4.2
Operating Profit	26.5	26.4	21.0	26.5	0.6
Interest Expenses	-0.2	-0.4	-0.5	-57.5	-51.9
Pre-tax Profit	26.3	26.0	21.0	24.9	1.3
Effective Tax Rate	(%)	18.6	16.0	17.0	1.6
Net Profit	21.4	20.8	17.5	22.5	3.0
Operating Margin	(%)	12.4	12.9	11.2	1.2
Pre-tax Margin	(%)	12.3	12.6	11.3	1.0
Net-Margin	(%)	10.0	10.1	9.4	0.7

2. Outlook

We are positive on the outlook of Scientex thanks to improving regional economies and positive property sentiment.

Scientex has mid to long term growth plans in the pipeline. For its manufacturing segment, Scientex is set to be the 5th largest stretch film producer in the world and capacity increase contribution should start this financial year. Long term, Scientex recently purchased a piece of land near its current plant with a similar size. Hence, Scientex has the capacity to double up its production in the next 3-5 years time. Scientex plans on spending RM40-50mn to build its new plant by mid-2012.

On the property segment, Scientex has enough landbank to keep the company occupied until 2019. We are expecting 10-12 new launches with an estimated GDV of RM200-250mn.

We will update further pending its briefing next week.

Valuation

Maintain our target price of RM2.90 based on Sum-of-parts valuation. Maintain Buy.

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