



SCIENTEX BERHAD

**Fair Value(Overweight)
RM 3.10 (+26.5%)**

Bright Year

Stock Data

Price (RM)	2.45
Stock code	4731
Bloomberg Ticker	SCI MK
	Equity
Listing	Main
	Market
Share Cap (RM mn)	115.00
Market Cap (RM mn)	563.50
Par value (RM)	0.50
52-wk high (RM)	2.94
52-wk low (RM)	1.97
Major shareholders:-	
Scientex Holdings Sdn Bhd	16.30%
Scientex Leasing Sdn Bhd	10.12%
TM Lim Sdn Bhd	8.23%
Lim Teck Meng Sdn bhd	7.76%
Scientex Bhd	6.35%

Financial Data

Trailing PER (x)	6.52
BV per share (RM)	2.27
P/BV (x)	1.08
ROE (%)	17.52
Beta (x)	0.66
Altman Z Score	3.49
Dividend yield (%)	4.90

Relative Performance (%)

1-month	-1.83
3-month	2.36
6-month	-5.33
12-month	16.36
YTD	-0.30

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Investment Highlights

Strong Start. Scientex had a jump-start for FY12, beginning with strong results. Revenue reported at RM213.76m with a growth of 14.5% while net profit and EPS rose to RM21.39m and 9.59 sen which grew 22.52% and 21.54% respectively. EBITDA margin rose 0.9pt YOY attributed to contribution from property segment. While QOQ basis, revenue and net profit improved 4% and 3%.

Property segment improving. The property segment contributed RM60 mil in 1QFY12 which accounted for 28% of revenue, it grew 23.7% YOY. It was largely due to Skudai high-end development area (Taman Mutiara Mas) with total GDV contribution of RM216 mil. Going down, EBITDA improved 24.8% YOY margins remains largely at 29%. Moving forward, Scientex is expecting to launch around 10-12 new developments, at the moment it has an unbilled sales of over RM100m.

Manufacturing segment still the largest contributor. Manufacturing contributed 72.3% of revenue in the quarter. However, EBITDA margin contracted 11% down 1% YOY due to the weaker performing US Dollar compared one year ago. Despite the weaker US Dollar, it was compensated by higher volume and stability in raw materials price.

Manufacturing to get bigger. According to the management, Scientex is currently in-line with its goals to be top 5 stretch film producers in the world. Its manufacturing plant in Pulau Indah operates on 8 production lines producing 120MT of stretch film. The group has also set its sight in expanding its manufacturing segment by purchasing the opposite land of its factory in Pulau Indah.

Update on JV with Mitsui Chemicals. The project is progressing well, and is expected to complete by Jan 2012.

Dividend. No dividends have been announced during the quarter.

Recommendation. We are maintaining our overweight recommendation with new target price of RM3.10. The new target price is based on average PER 6.5x and 2012F EPS of 47.7 sen.



Results comparison						
FYE 31st July		4Q FY10	4Q FY11	1Q FY12	Q-o-Q	Y-o-Y
	Unit				%	%
Revenue	RM mn	186.63	205.20	213.76	4.2	14.5
Operating Expenses	RM mn	-165.64	178.82	-187.22	-204.7	13.0
Profit From Operations	RM mn	20.98	26.38	26.54	0.6	26.5
Interest expense	RM mn	-0.45	-0.40	-0.19	-51.9	-57.5
Investing result	RM mn	0.51	-0.03	-0.06	85.3	-112.4
Profit Before Tax	RM mn	21.04	25.95	26.29	1.3	24.9
Taxation	RM mn	-3.58	-4.16	-4.90	17.6	36.6
Profit After Tax	RM mn	17.46	21.79	21.39	-1.8	22.5
EPS	sen	7.890	9.66	9.590	-0.7	21.5
Margins %						
Operating margin	%	11.2	12.9	12.4		
PBT margin	%	11.3	12.6	12.3		
Net margin	%	9.4	10.6	10.0		

Cumulative Result Comparison						
FYE 31st July		2008	2009	2010	2011	2012F
	Unit					
Revenue	RM mn	656.6	509.7	694.8	804.0	1045.8
Operating Profit	RM mn	59.2	42.4	70.1	97.4	140.6
PBT	RM mn	57.4	42.0	70.7	96.6	130.6
Taxation	RM mn	-4.4	-3.5	-8.6	-16.5	-20.0
PAT	RM mn	53.0	38.5	62.1	80.1	110.3
EPS	sen	24.0	17.0	28.2	35.9	47.7
Margins						
Operating Margin	%	13.46	15.91	17.70	12.11	13.44
PBT Margin	%	8.74	8.24	10.18	12.01	12.48
Net margin	%	8.07	7.55	8.94	9.96	10.54



Peers Comparison

	Manufacturing				Property Development		
	Scientex	GW Plastic	BP Plastic	Thong Guan Industries	Daiman Development	KSL Holdings	Crescendo Corporation
Last Price	2.450	0.650	0.600	1.150	1.830	1.380	1.600
No Of Shares (mil)	230.000	236.000	180.120	105.200	212.190	390.550	175.030
Market Cap (RM mil)	563.500	152.220	108.070	120.990	388.310	538.960	280.290
Net Asset (RM mil)	528.660	190.980	17.420	234.280	978.750	954.520	543.950
FY Net Profit (RM mil)	80.570	20.970	16.850	26.630	47.600	143.650	61.080
Dividend Yield (%)	4.860	6.200	10.000	4.350	6.560	3.620	8.280
Trailing PE	6.570	6.880	6.410	4.540	8.100	3.710	4.450
Net Gearing	0.010	16.290	3.960	-0.070	-0.100	0.210	0.190
ROE (%)	17.550	9.100	11.810	12.000	4.910	16.330	12.210
ROA (%)	11.050	6.200	9.650	8.430	4.460	11.910	8.170

Share Performances





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Stock rating definitions

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

Neutral – 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.

Underweight – 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 Idea – 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.