

SCIENTEX BERHAD

(Company No.: 7867-P)

Corporate Presentation 1Q17 Corporate Update & Financial Results 15 December 2016

IR Adviser





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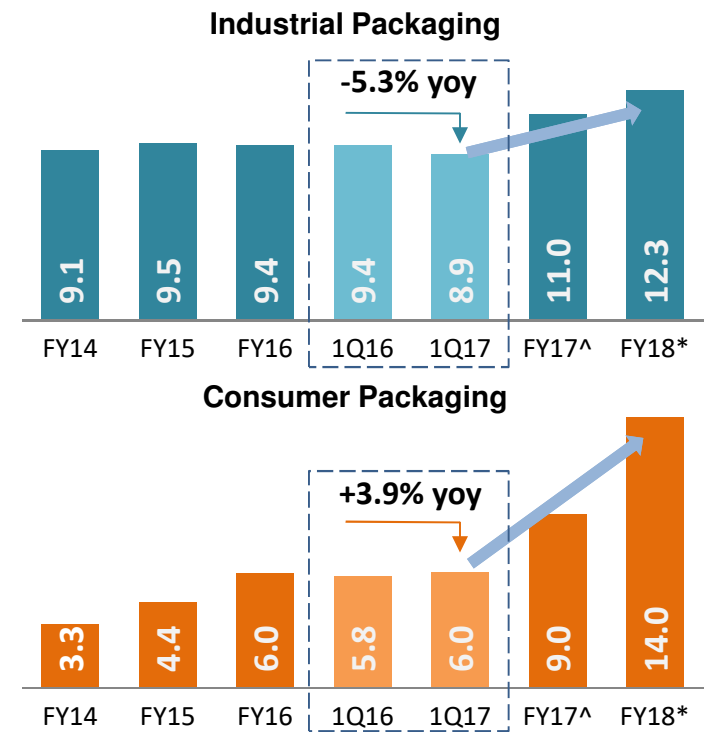
OPERATIONS REVIEW & GROWTH PLANS

Manufacturing sales tonnage set to rise substantially in FY2017 as newly expanded capacities start being utilised...

Industrial Packaging	
Stretch Film	Prod. Output: 120,000 MT p.a. Location: Pulau Indah
PP Strapping Band	Prod. Output: 18,000 MT p.a. Location: Melaka
Raffia	Prod. Output: 10,000 MT p.a. Location: Vietnam

Consumer Packaging	
PE Film	Prod. Output: 60,000 MT p.a. Location: Rawang & Ipoh
Products:	<ul style="list-style-type: none"> • Base film • Functional films
BOPP Film	Prod. Output: 60,000 MT p.a. Location: Rawang & Pulau Indah
CPP Film	Prod. Output: 12,000 MT p.a. Location: Melaka
Adhesive	Output: 6,000 MT p.a. Location: Shah Alam & Indonesia

Average monthly sales tonnage (MT '000)



[^]Internal estimates

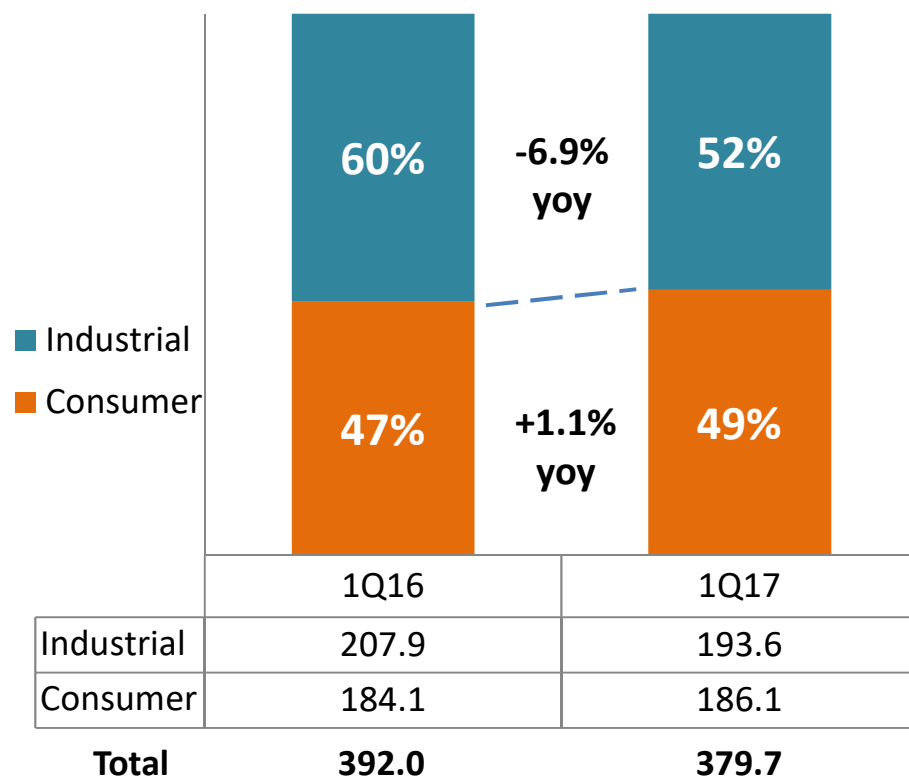
^{*}Estimation based on full output

Total average monthly sales tonnage	12.4	13.9	15.4	15.2	14.9	20.0	26.3
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Operations Review: Manufacturing

Increasing contribution from consumer packaging segment with commencement of CPP and BOPP lines... offsets slower demand for industrial packaging

Segment Revenue (RM 'mil)



□ 1Q17 manufacturing revenue declined 3.1% yoy to RM379.7 mil

□ Industrial Packaging

- 1Q17 revenue dipped 6.9% yoy to RM193.6 mil (1Q16: RM207.9 mil) due to lower exports on dampened APAC outlook

□ Consumer Packaging

- 1Q17 revenue grew marginally by 1.1% yoy to RM186.1 mil (1Q16: RM184.1 mil) with new contribution from CPP and BOPP lines; saw lower domestic and export sales for PE
- Exports made up 56.1% of consumer packaging revenue (1Q16: 52.6%)

Consumer packaging expansions to fully complete in end-2017... balance RM55 mil CAPEX for this segment to be invested in FY17

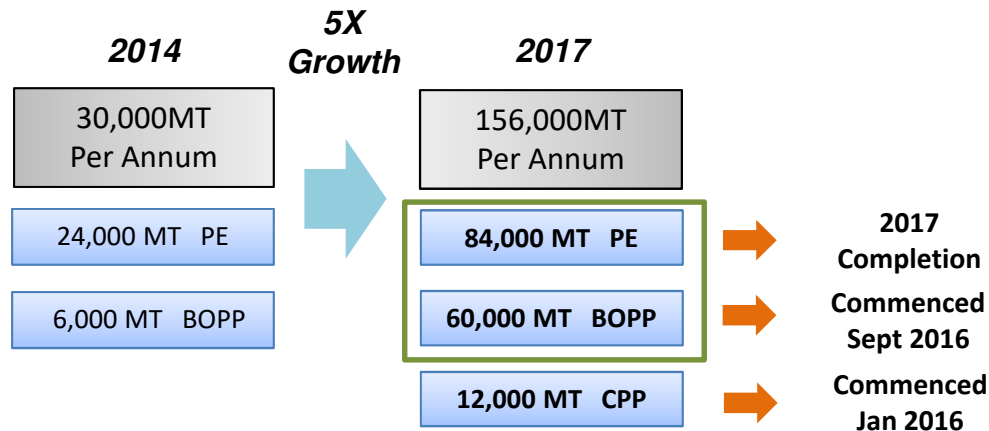
Consumer packaging expansion plan



New CPP production line in Melaka



New BOPP plant in Pulau Indah



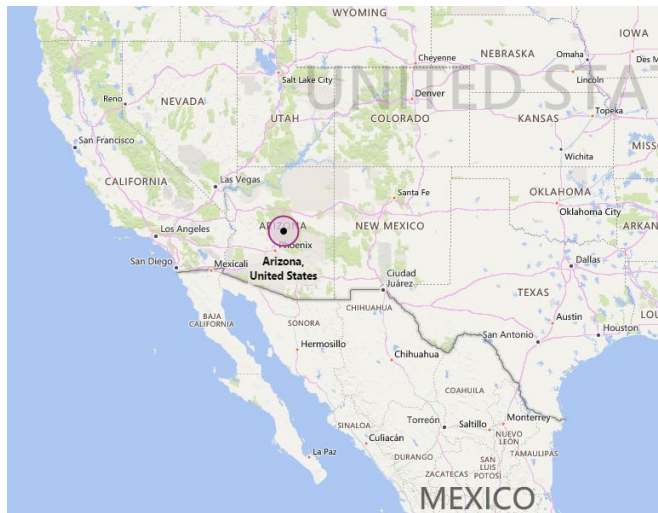
- **CPP**
Commercial run commenced in January 2016 and currently conducting trial runs with potential customers; target to fill up capacity in 2017
- **BOPP**
Commercial run commenced in September 2016; currently undergoing trial runs with potential customers
 - 2nd line to be commissioned in December 2016; to bring total BOPP capacity to 60,000 MT p.a.
 - Target to fill up capacity in 2 years
- **PE**
Overall production output to increase from 60,000 MT p.a. to 84,000 MT p.a. in 2017
 - **Rawang plant**
 - CAPEX of RM21 mil; to increase production output by 25% to 60,000 MT p.a.
 - **SGW Ipoh**
 - CAPEX of RM50 mil; to increase production output to 24,000 MT p.a.

Growth Plans: Manufacturing

Investing USD25 mil in U.S. stretch film plant to penetrate Americas... taking approach to be close to market and raw material source



Stretch film

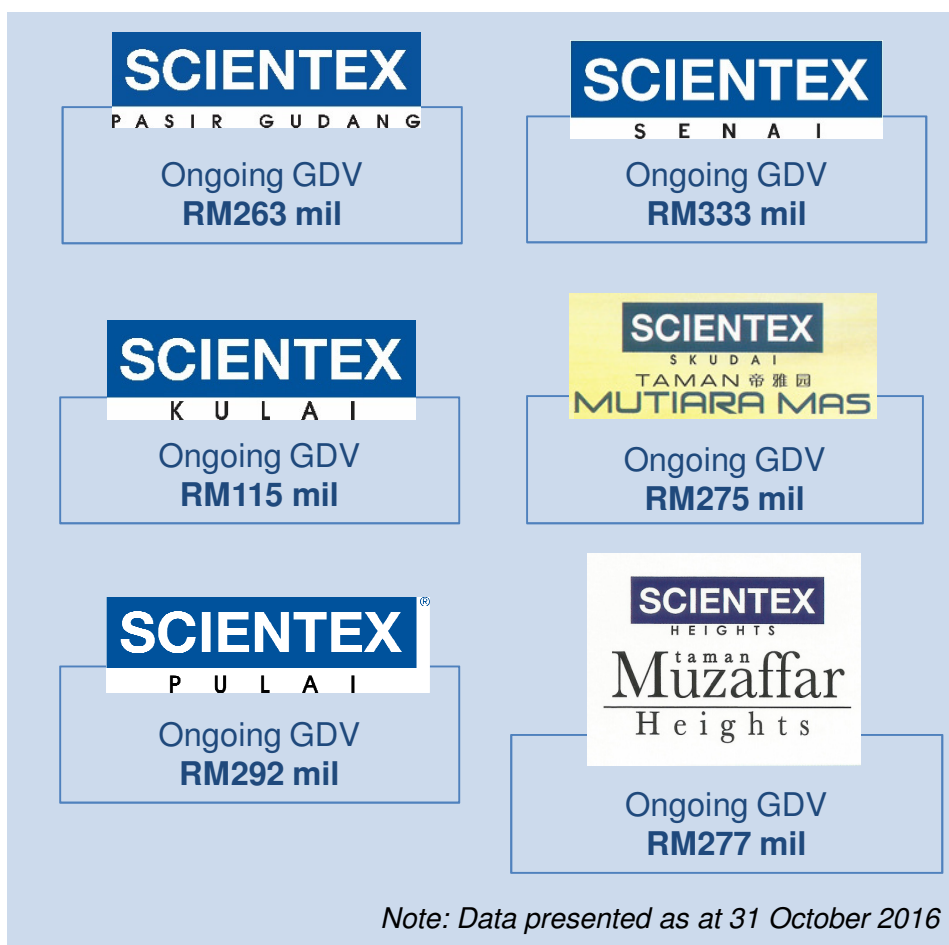


- ❑ On 10 November 2016, Scientex announced CAPEX of USD25 mil to set up new stretch film manufacturing plant in Arizona, U.S.
 - Newly established wholly-owned subsidiary Scientex Phoenix, LLC to undertake the venture
 - New plant to house two stretch film lines with capacity of 30,000 MT p.a., expected to be operational in end-2017

- ❑ Scientex to tap new growth opportunities in North, Central, and South Americas
 - Currently exporting small volume of stretch film to US; new Arizona plant positions Scientex close to market, allowing for better service and shorter delivery lead time
 - To see synergistic benefits from Scientex's highly-efficient manufacturing operations with savings in logistics costs
 - Expect to benefit from anticipated ample supply of shale gas-based resin

Growth Plans: Manufacturing

Property unbilled sales of approximately RM650 mil... first launch of new Pulai township 85% taken-up to date



- ❑ 1Q17 property revenue declined marginally by 2.3% to RM155.0 mil (1Q16: RM159.0 mil) due to launch timing
- ❑ Launched 4 new projects worth RM180.8 mil GDV in 1Q17
 - Mainly for affordable residential properties in Pulai worth RM167.7 mil comprising 451 units of 2-storey and 2½-storey terrace houses
 - Remaining launch of RM13.1 mil in Taman Mutiara Mas comprising 24 units of shophots
- ❑ Unbilled sales amounted to approximately RM650 mil as at 31 Oct 2016 to be recognized over the next 2 to 3 years

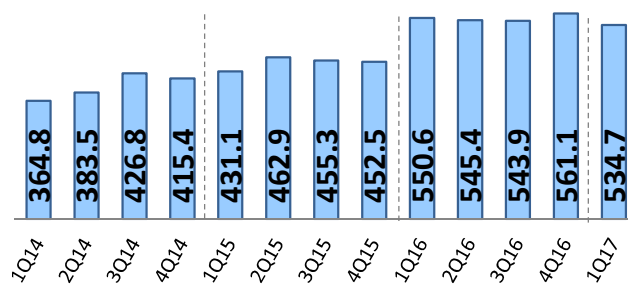


1Q17 FINANCIAL REVIEW

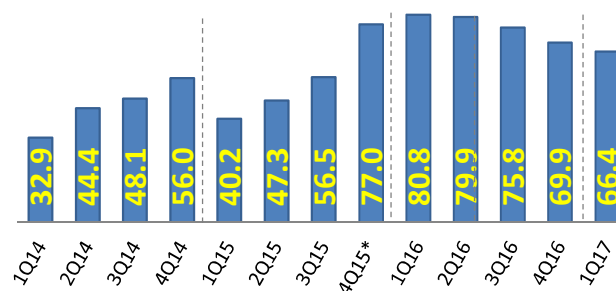
Manufacturing segment sees lower revenue contribution in 1Q17...

1Q17	1Q16	Change	RM'mil	Remarks
534.7	550.6	(2.9%)	Revenue	Manufacturing sales dampened due to global economic outlook; property billings lower attributed to launch timing
84.0	95.5	(12.1%)	EBITDA	
15.7%	17.4%	(1.7 pt)	EBITDA margin	Profitability affected by lower revenue contribution from both segments, product mix, and the commencement of new consumer manufacturing plants
66.4	80.8	(17.8%)	PBT	
12.4%	14.7%	(2.3 pt)	PBT margin	
52.1	60.9	(14.5%)	PATMI	
9.7%	11.1%	(1.4 pt)	Net margin	In line with above; also seeing reinvestment allowance benefits
11.32	13.47	(16.0%)	Basic EPS (sen)	

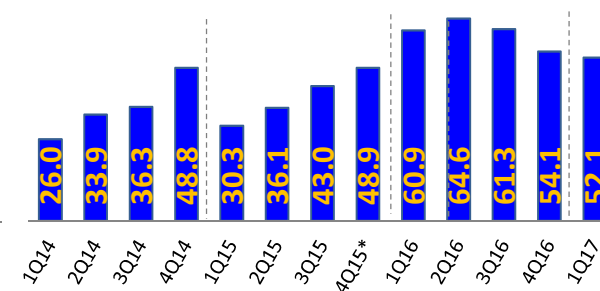
Quarterly Revenue (RM 'mil)



Quarterly PBT (RM 'mil)



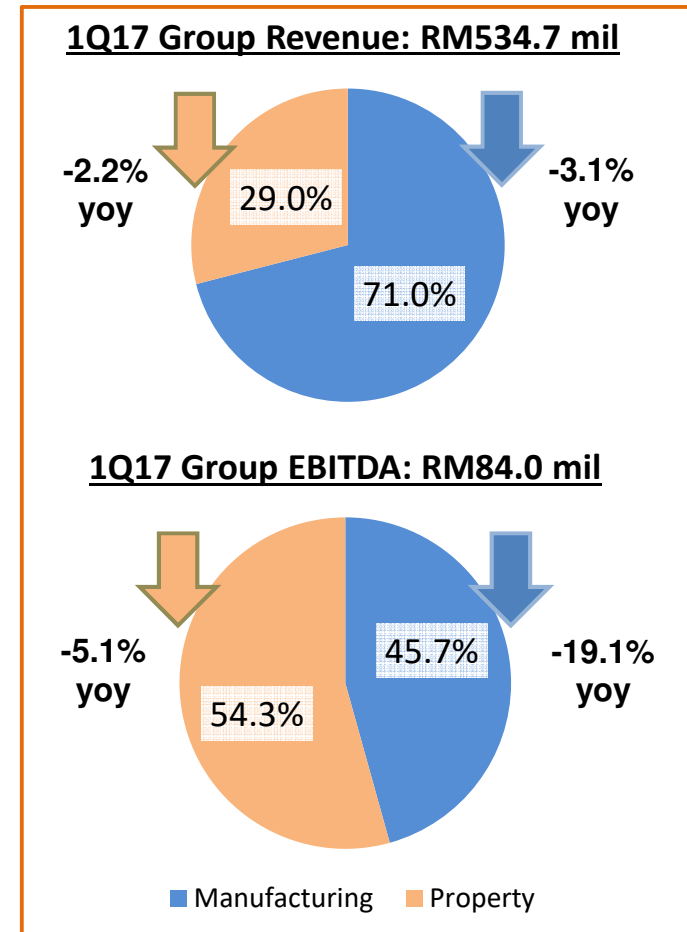
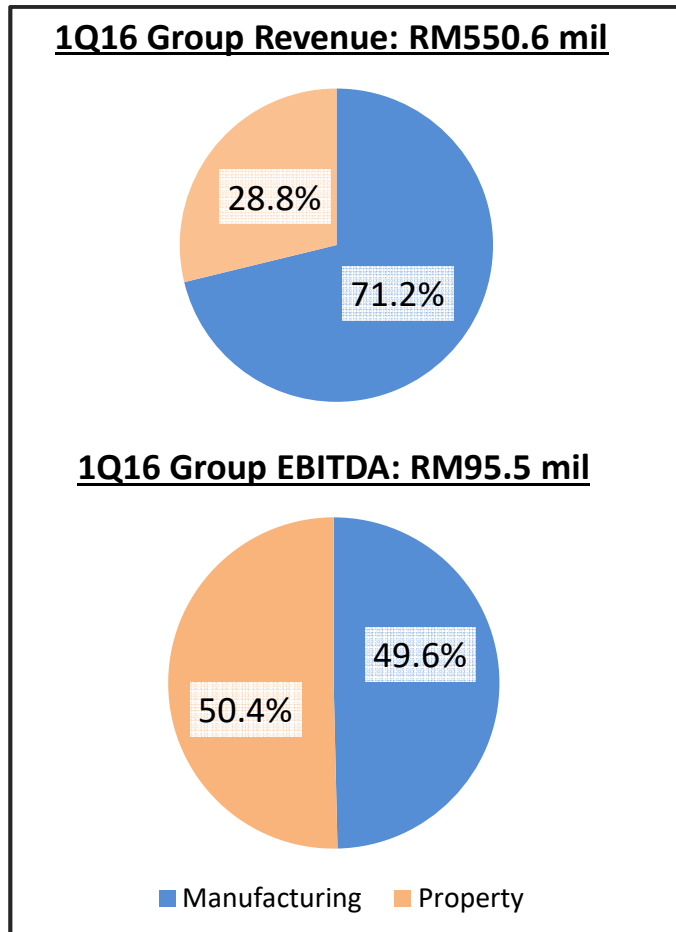
Quarterly PATMI (RM 'mil)



*4Q15 and FY15 PBT and PATMI includes RM12.6 million fair value gain on investment properties

1Q17 Income Statement Summary

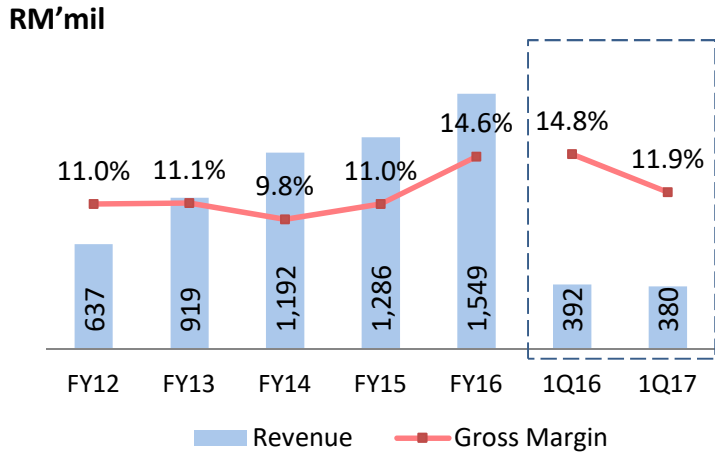
Group benefitting from resiliency in affordable-homes demand...



Revenue & EBITDA Segmentation

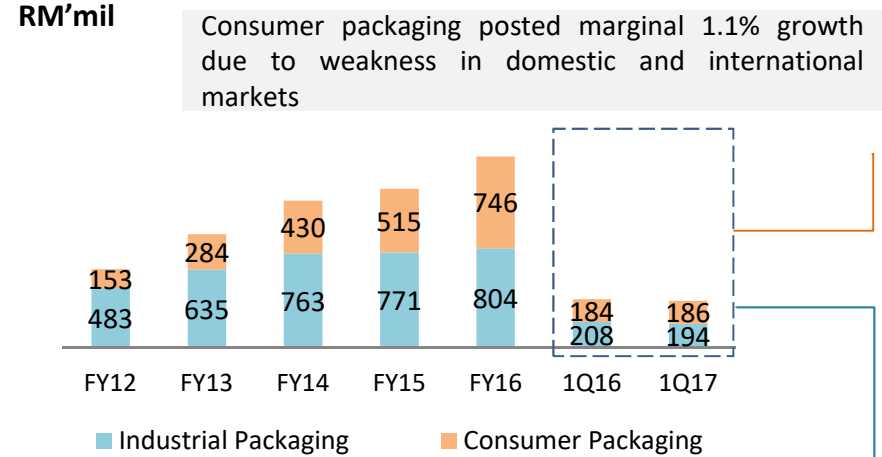
Saw weaker industrial packaging exports... contribution from consumer packaging largely sustained as sales for new CPP and BOPP films kick in

Manufacturing Revenue & Gross Margin



1Q17 manufacturing revenue dipped 3.1% on slower orders; gross margins dipped on product mix and penetrative pricing to gain market share

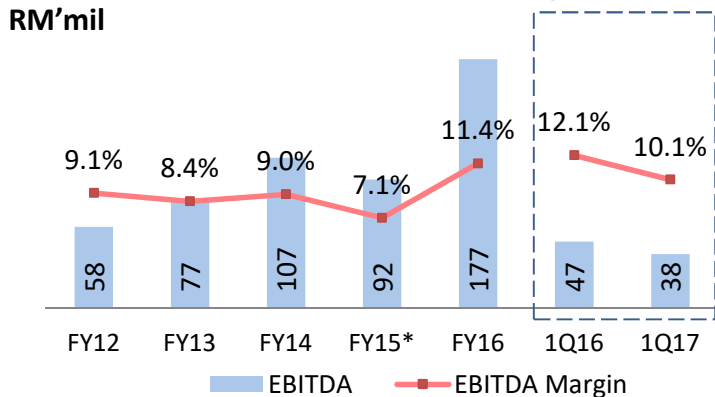
Manufacturing Revenue (by Segment)



Consumer packaging posted marginal 1.1% growth due to weakness in domestic and international markets

Industrial packaging revenue declined 6.9% due to slower orders in line with weaker export market

EBITDA & EBITDA Margin

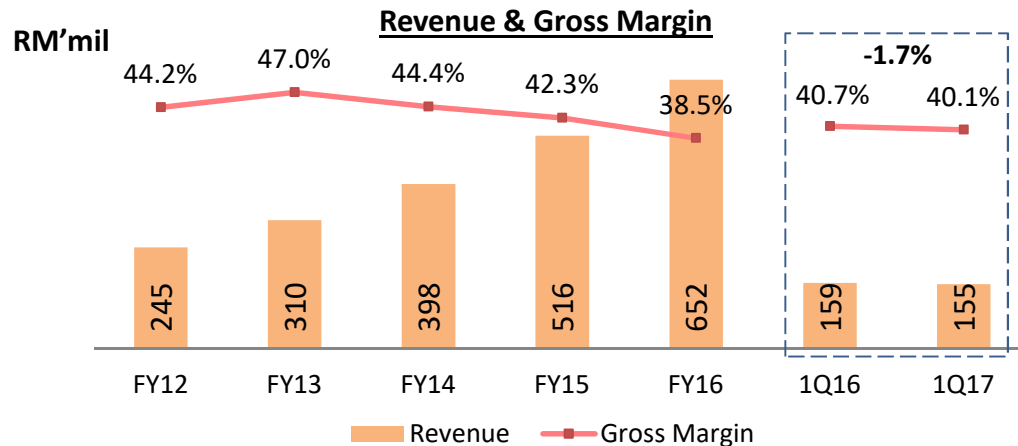


1Q17 EBITDA declined 19.1% mainly due to product mix

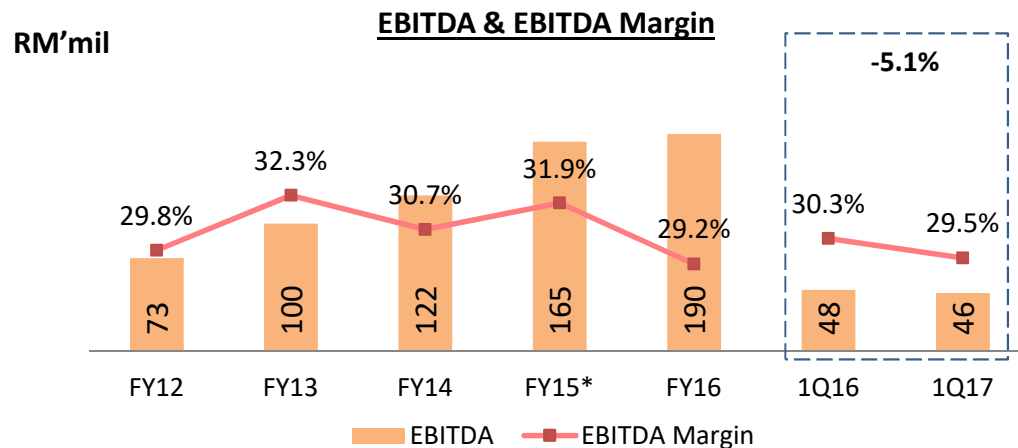
*Includes RM27.2 mil foreign exchange translation differences

Financial Review: Manufacturing

Property division benefitting from sturdy demand for affordable homes in Johor...



Property segment revenue largely unchanged due to launch timing, contribution from Pulai to emerge substantially in subsequent quarters



EBITDA margins maintained in the 28%-30% range on affordable-skewed product mix

*Excluding RM12.6 million fair value gain from investment properties

Financial Review: Property Development

Net gearing maintained as consumer packaging expansions near completion... strong operational cashflow to reduce borrowings and fund future plans

Balance Sheet (RM '000)	As at 31.10.2016	As at 31.7.2016	Remarks
Property, Plant & Equipment	954,319	952,519	
Investment Property & Other Investments	24,967	24,967	
Land Held & Property Development Costs	660,306	621,752	Due to enlarged development profile
Investment in Jointly Controlled Entity & Associated Company	49,712	48,666	
Inventories	121,502	137,010	
Trade & Other Receivables	375,489	350,801	
Cash & Bank Balances	132,745	100,601	
Deferred Tax Assets	2,651	2,651	
Intangible Assets	12,134	12,134	
TOTAL ASSETS	2,333,825	2,251,101	
Trade & Other Payables	392,899	431,372	
Borrowings (ST + LT)	567,051	471,608	To fund working capital requirements, machinery purchases for consumer packaging expansion, and landbanking
Tax & Deferred Tax	54,254	55,077	
Shareholders' Equity	1,227,480	1,175,167	Due to enlarged share capital and retained earnings
Minority Interest	67,502	66,495	
Net Tangible Assets / Share (RM) ¹	2.67	2.55	
Net Gearing	0.35x	0.32x	In line with higher borrowings to fund working capital requirements, machinery purchases, and landbanking

¹ Based on share capital of 460.0 mil shares

Balance Sheet (Highlights)



INVESTMENT MERITS

A high-growth proposition all-round... attractive proxy to the burgeoning packaging sector and Southern Malaysia's affordable property market

SCIENTEX BERHAD

MANUFACTURING

- One of the world's largest stretch film producers
- Consumer packaging segment facilitates entry into burgeoning F&B and FMCG sectors
- Further integration and expansion initiatives position Group to cater to larger regional clientele and enhance competitiveness

PROPERTY DEVELOPMENT

- Reputable developer in the southern states of Johor and Melaka
- Current projects of RM1.6 bil
- Pipeline GDV of RM5.5 bil on existing landbank to sustain another 8 to 10 years
- Future projects displaying higher GDV/acre

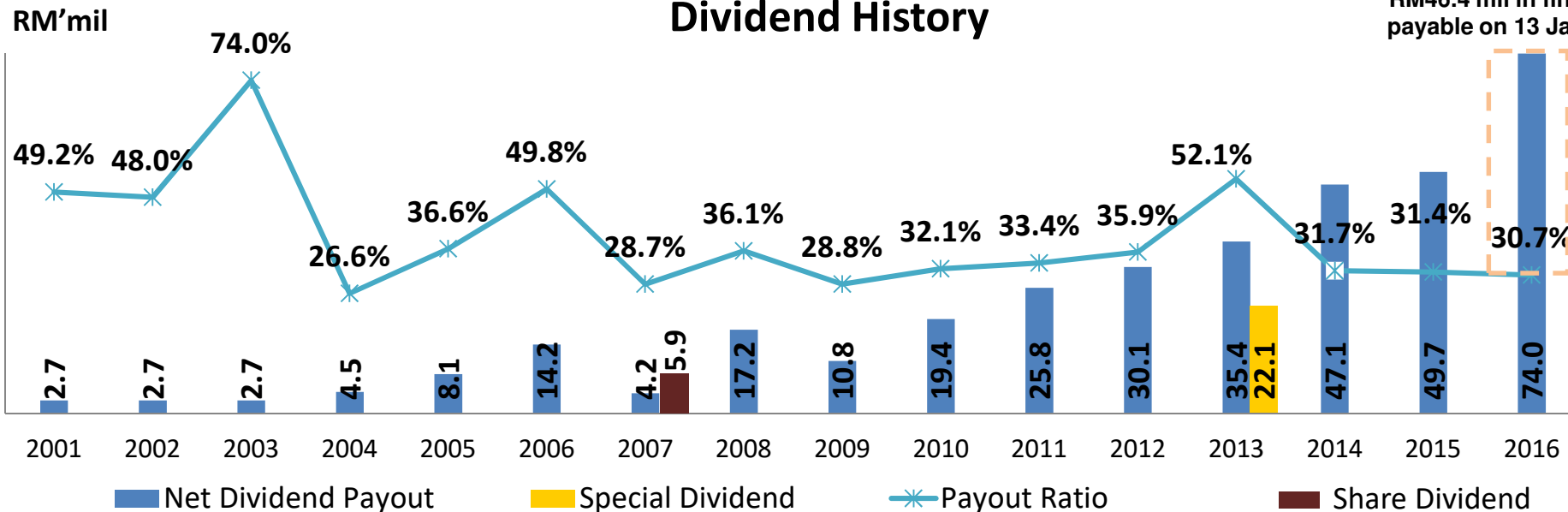
- Strong fundamentals with **strong upside to profit and margin expansion**
- **Dividend policy of minimum 30% payout**
 - 30.7% dividend payout in FY2016
- **Valuations to be compressed** with foreseeable earnings boost
- Trading at trailing 12-month PE of 13.5x and EV/EBITDA of 10.2x (as at 13 December 2016)

Investment Merits

Group has dividend policy of minimum 30% net profit payout...

Dividend History

RM46.4 mil in final dividend payable on 13 January 2017



FY2015 Dividends (Total Dividend of 11* sen) :

- Paid interim dividend of 4.5* sen per share on 7 August 2015
- Paid final dividend of 6.5* sen per share on 25 January 2016

FY2016 Dividend (Total Dividend of 16 sen):

- Paid interim dividend of 6* sen per share on 5 August 2016
- Final dividend of 10 sen per share payable on 13 January 2017 (Ex-date: 28 December 2016)

Dividend Policy:
Minimum 30% of Net Profit
 (effective FY2011)

**adjusted based on 460,000,000 ordinary shares of RM0.50 each after 1:1 bonus issue completed on 15 August 2016*

Dividend History



Thank You

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