

SNIPPETS

## Scientex proposed acquisition of 42% in Daibochi

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- Executes Heads of Agreement to acquire 139.1 million ordinary shares for controlling stake in Main Market-listed Daibochi Berhad (Daibochi)
- RM222.5 million total purchase consideration to be satisfied via share swap through the issuance of one new ordinary Scientex share for every 5.5 Daibochi shares held by vendors

Global packaging manufacturer and leading property developer Scientex Berhad (Scientex, 森德公司, Bloomberg: SCI MK; Reuters: STIK.KL) is set to further expand its flexible packaging business with the proposed acquisition of 42.41% controlling stake in Daibochi through a conditional share sale agreement to be executed between Scientex and several individual vendors who hold a controlling block of shareholding in Daibochi.

Daibochi is a leading flexible packaging provider in the South East Asian region, with manufacturing facilities in Malaysia and Myanmar. Daibochi provides high-barrier laminated flexible packaging for reputable clientele comprising mainly multinational corporations in the food and beverage (F&B), fast moving consumer goods (FMCG), and specialty sectors.

At the signing of the Heads of Agreement between Scientex and the vendors today, the parties agreed to enter into a conditional share sale agreement within the next two months which would see the conditional sale to Scientex of 139.1 million ordinary Daibochi shares representing 42.41% stake in Daibochi held by the vendors.

The purchase consideration of RM222.5 million, equivalent to RM1.60 per ordinary Daibochi share, shall be satisfied by way of share exchange whereby one (1) new ordinary Scientex share would be issued to the vendors for every 5.5 Daibochi shares held. The share sale will trigger a mandatory takeover by Scientex of the remaining shares of Daibochi.

Mr. Lim Peng Jin (林炳仁), Managing Director, Scientex Berhad said:

“This synergistic merger will create a formidable regional giant from Malaysia with extensive resources to compete globally, offering an integrated range of flexible packaging solutions to a larger client base. Further to extending our market reach, it brings together strong technical know-how and skilled talent to tap into the exciting growth prospects for this market segment.

Together, we intend to become an internationally recognized global player to catalyse the future growth and development of the flexible packaging industry. To this end, Scientex endeavours to continue supporting our existing and prospective customers.”

The proposed share sale transaction is subject to several conditions precedent being met/fulfilled, including the proposed mandatory take-over offer to acquire the remaining shares and warrants in Daibochi not already held by Scientex, approval from Bursa Malaysia Securities Berhad for the listing and quotation of new Scientex shares to be issued to the vendors, and such other approvals from the relevant authorities as may be required in respect of the proposed transactions.

This exercise will enable Scientex to further expand its product portfolio and enhance its capabilities in the flexible packaging business through synergistic and complementary products which will allow Scientex to better serve its global customers.

By leveraging on the respective strengths, brand names and track record of both parties, Scientex would capitalise on evolving consumer needs through enhanced collaboration with international brand owners to deliver innovative and sustainable packaging solutions to address growing environmental concerns.

The proposed merger will result in the emergence of an undisputed leader of flexible plastic packaging manufacturer in Malaysia offering enhanced operating capabilities

with greater economies of scale. This will enable Scientex to penetrate the global markets by offering high quality packaging at competitive prices.

The purchase consideration of RM1.60 per ordinary Daibochi share represents a price-to-earnings ratio (PER) of 20.0 times the earnings per share of RM0.08 per share for the financial year ended 31 December 2017, compared to the average trading PER multiples of 17.8 for companies in similar business. It also represents a price-to-book ratio of 2.62 times based on Daibochi's audited net assets per share of RM0.61 as at 31 December 2017.

Scientex also intends to maintain Daibochi's listing status on the Main Market of Bursa Malaysia Securities Berhad, and retain all the management and staff of Daibochi's operations.

Barring any unforeseen circumstances, the proposed share sale acquisition is expected to be completed within six months from the date of execution of the conditional share sale agreement.

The proposed mandatory take-over offer is expected to be completed within two months from the date the share sale agreement becomes unconditional. The acquisition, once completed, is expected to contribute positively towards Scientex's earnings for the financial year ending 31 July 2019 onwards.