

# Scientex to make MGO for packaging firm Daibochi

## Move will come about after proposed 42% stake buy in the latter

**PETALING JAYA:** Scientex Bhd will launch a mandatory general offer (MGO) for Daibochi Bhd to expand the flexible packaging business after proposing to acquire a controlling 42.41% stake for RM222.50mil in a share swap.

Scientex said in a filing with Bursa Malaysia that the proposed purchase of the stake would be from several individual vendors who hold a controlling block of shares in Daibochi.

The RM222.50mil total purchase consideration, or RM1.60 per Daibochi share, would be via a share swap through the issuance of one new Scientex share for every 5.5 Daibochi shares held by the vendors.

The share sale will trigger an MGO by Scientex for the remaining shares of Daibochi.

“This merger will enable Scientex to offer an integrated range of products to a larger client base and enhance its capabilities in the flexible packaging business through synergistic and complementary products to better serve a global clientele.”

“Scientex also intends to maintain Daibochi’s listing status on the Main Market of Bursa Malaysia, and retain all the management and staff,” it said.

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

Meanwhile, Scientex managing director Lim Peng Jin said the synergistic merger would 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,” he said in a statement.

Scientex said the purchase consideration of RM1.60 per 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 Dec 31, 2017 (FY17), compared to the average trading PER multiples of 17.8 times for companies in a

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 Dec 31, 2017.

The company added that the proposed share sale acquisition is expected to be completed within six months from the date of execution of the conditional share sale agreement. Once completed, it is expected to contribute positively towards Scientex’s earnings for FY19 ending July 31 onwards.

In a separate filing with the stock exchange, Daibochi announced that it had posted a 7% revenue growth to a record high of RM109.2mil for the third quarter ended Sept 30, 2018. However, net profit decreased 21.2% to RM5.7mil due to higher key raw material costs and forex losses.