

Scientex to buy 42.4% of Daibochi

> Proposed RM222.5 million acquisition will trigger mandatory takeover offer for rest of shares

PETALING JAYA: Scientex Bhd proposes to acquire a 42.41% stake in Daibochi Bhd for RM222.5 million or RM1.60 per share in an all-share deal, to create a larger packaging entity in the country.

The purchase sum will be satisfied entirely by way of share exchange whereby one new Scientex share would be issued to the vendors for every 5.5 Daibochi shares held.

The RM1.60 offer price, however, represents a discount of 18.78% to the five-day volume weighted average market price of Daibochi shares up to and including Nov 13 of RM1.97 per Daibochi share.

The deal represents a price-to-earnings ratio (PER) of 20 times the earnings per share of 8 sen per share for the financial year ended

Dec 31, 2017, compared with 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 61 sen as at Dec 31, 2017.

In a filing with the stock exchange, Scientex said it had entered into a heads of agreement (HoA) with 14 Daibochi shareholders, including its executive director Low Geoff Jin Wei, for the acquisition.

The HoA, which is effective for a period of two months, forms the basis of consensus between Scientex and the vendors to work together exclusively to negotiate on the terms of the conditional share sale agreement in relation to

the proposed acquisition.

The share sale will trigger a mandatory takeover by Scientex of the remaining shares of Daibochi, but Scientex intends to maintain Daibochi's listing status and it will retain all the management and staff of Daibochi's operations.

Scientex believes the acquisition would bring together two complementary organisations in producing high quality custom films for the global flexible plastic packaging (FPP) market which is estimated to grow to US\$200 billion (RM838 billion) by 2019.

"This combination will create a strong packaging entity from Malaysia to compete globally besides being a catalyst for the future growth and development of the Malaysian plastic converting industry."

Scientex is an industrial packaging manufacturer, while Daibochi is principally involved in

the manufacturing and marketing of flexible packaging materials.

Scientex said the group is expected to obtain greater flexibility to grow Daibochi's businesses organically with its expertise in the industry and inorganically, which may include but are not limited to the injection of assets and/or businesses from Scientex.

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 takeover offer, meanwhile, is expected to be completed within two months from the date the share sale agreement becomes unconditional.

Scientex shareholders are advised to exercise caution when dealing in Daibochi shares and warrants.

Trading in Scientex and Daibochi was suspended yesterday pending the announcement.

On a separate note, Daibochi announced that its net profit declined 21.2% to RM5.69 million for the third quarter ended Sept 30 compared with RM7.22 million in the previous corresponding period, mainly due to higher raw materials cost, particularly for solvent and polyester film as well as a forex loss of RM1.36 million.

Its revenue expanded 7% to RM109.19 million from RM102.03 million.

Daibochi has proposed to declare an interim dividend of 1 sen per share for the quarter under review.

For the first nine months of the year, its net profit went down 6.7% to RM16.81 million from RM18.03 million, while revenue grew 13.2% to RM320.3 million from RM282.99 million.