



# SCIENTEX

(SCI MK EQUITY, STIK.KL)

9 Dec 2021

## 1QFY22 net profit increases 11% YoY

### BUY

(Maintained)

AmInvestment Bank

www.amequities.com.my

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**Rationale for report: Company results**

Price **RM4.58**  
 Fair Value **RM5.25**  
 52-week High/Low RM4.87/RM3.81

#### Key Changes

Fair value [↑](#)  
 EPS [↑](#)

YE to Jul	FY20	FY21	FY22F	FY23F
Revenue (RM mil)	3,518.6	3,656.0	4,106.3	4,612.2
Core net profit (RM mil)	390.1	457.2	494.9	549.7
FD Core EPS (sen)	25.2	29.0	31.3	34.6
FD Core EPS growth (%)	16.9	15.2	7.9	10.6
Consensus Net Profit (RM mil)	-	-	517.0	596.0
DPS (sen)	7.7	9.0	9.8	10.9
PE (x)	18.2	15.8	14.6	13.2
EV/EBITDA (x)	11.7	11.3	10.2	9.0
Div yield (%)	1.7	2.0	2.1	2.4
ROE (%)	16.3	16.8	16.1	16.0
Net Gearing (%)	24.5	30.3	27.1	23.3

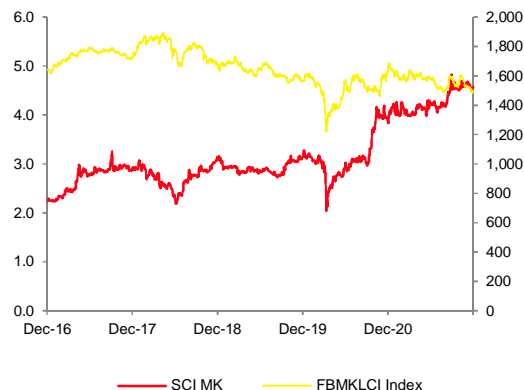
#### Stock and Financial Data

Shares Outstanding (million) 1,550.6  
 Market Cap (RM mil) 7,101.7  
 Book Value (RM/share) 2.09  
 P/BV (x) 2.2  
 ROE (%) 16.3  
 Net Gearing (%) 24.5

Major Shareholders  
 Scientex Holdings Sdn Bhd (21.1%)  
 Scientex Leasing Sdn Bhd (9.2%)  
 Scientex Infinity Sdn Bhd (8.1%)

Free Float  
 Avg Daily Value (RM mil) 2.4

Price performance	3mth	6mth	12mth
Absolute (%)	(1.5)	8.0	18.9
Relative (%)	5.3	14.8	29.8



#### Investment Highlights

- We maintain our BUY call with a higher fair value (FV) of RM5.25/share for Scientex based on sum-of-parts (SOP) valuation. We peg Scientex's manufacturing segment to an FY23F PE of 18x, at a premium compared to its peer stretch film makers' average forward PE of 12.5x. This is to reflect the division's higher earnings growth of about 12% annually in FY22–24F (vs. a weighted average of about 10% annually for its global peers). Our FV also imputes a 3% premium to the SOP based on our 4-star ESG rating (Exhibit 4).
- Although Scientex's 1QFY22 net profit of RM102.9mil was 11% higher YoY, it made up only 21% and 20% of our and consensus's full-year estimates. However, we consider the results within expectations, underpinned largely by seasonally stronger 4Q results in the property segment.
- On a YoY basis, revenue for the manufacturing and property segments grew by 16% and 14% respectively, driven by: (1) healthy demand from industrial and consumer packaging products in the domestic and export markets; (2) steady progress billings for ongoing projects and good take-up rate for its latest launches in Johor and Penang; and (3) the completion of several project phases in Rawang, Selangor and Durian Tunggal, Melaka.
- In addition, Scientex's property division EBIT margin improved 18% YoY to RM68.5mil (vs. previously RM58.2mil), primarily due to its new launches of 380 units in Tasek Gelugor and Pulau. As of 1QFY22, the group's progress billings from unbilled sales stood at RM965mil for its property division, which we expect will continue to be profitable for coming quarters.
- We continue to like Scientex for: (1) the strong prospects of the packaging industry due to consumer spending, a shift to on-the-go food and beverages due to a hectic lifestyle and higher food safety standards; and (2) a robust property development business despite the soft market in general thanks to its right focus on predominantly landed affordable residential units in secondary suburbs.
- At about 13–14x fully diluted FY23F earnings in its entirety, we think that this home-grown regional/global plastic packaging player is highly compelling given its strong foothold in a consumer-fuelled sector.

**EXHIBIT 1: RESULTS SUMMARY**

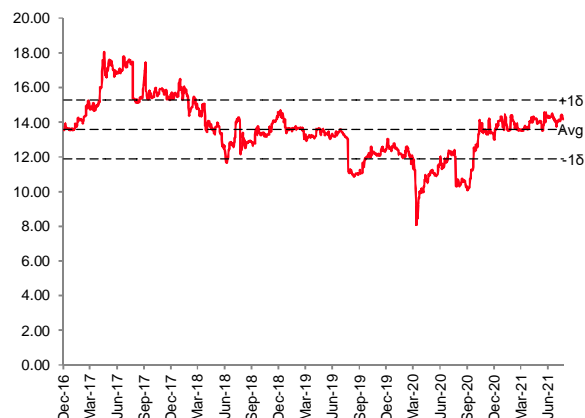
YE July	4Q FY21	1Q FY22	QoQ	3M21	3M22	YoY
<b>Revenue</b>	<b>970.4</b>	<b>928.2</b>	<b>-4%</b>	<b>802.3</b>	<b>928.2</b>	<b>16%</b>
Manufacturing	617.4	678.1	10%	583.8	678.1	16%
Property Development	352.9	250.1	-29%	218.4	250.1	14%
<b>EBIT</b>	<b>175.8</b>	<b>133.2</b>	<b>-24%</b>	<b>126.8</b>	<b>133.2</b>	<b>5%</b>
Manufacturing	57.4	64.7	13%	68.6	64.7	-6%
Property Development	118.4	68.5	-42%	58.2	68.5	18%
<b>Profit Before Tax (PBT)</b>	<b>174.5</b>	<b>130.4</b>	<b>-25%</b>	<b>128.0</b>	<b>130.4</b>	<b>2%</b>
Taxation	-26.3	-22.2	-16%	-28.1	-22.2	-21%
<b>Profit After Tax (PAT)</b>	<b>148.2</b>	<b>108.2</b>	<b>-27%</b>	<b>99.9</b>	<b>108.2</b>	<b>8%</b>
Minority Interest	5.6	5.3	-4%	7.4	5.3	-28%
<b>Net Profit</b>	<b>142.7</b>	<b>102.9</b>	<b>-28%</b>	<b>92.5</b>	<b>102.9</b>	<b>11%</b>
<b>Margins</b>						
EBIT margin	18%	14%		16%	14%	
PBT margin	18%	14%		16%	14%	
Net Profit margin	15%	11%		12%	11%	
Effective Tax Rate	15%	17%		22%	17%	

Source: Company, AmlInvestment Bank Bhd

**EXHIBIT 2: PB BAND CHART**



**EXHIBIT 3: PE BAND CHART**



**EXHIBIT 4: ESG RATING**

<b>Overall</b>	★	★	★	★	
Zero-carbon initiatives	★	★			
Work site safety	★	★	★	★	
Worker welfare	★	★	★	★	
Corporate social responsibility	★	★	★	★	
Pollution control	★	★	★		
Supply chain auditing	★	★	★	★	
Corruption-free pledge	★	★	★	★	
Accessibility & transparency	★	★	★		

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us from 1-star to 5-star.

Source: AmlInvestment Bank Bhd

## EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Jul)	FY19	FY20	FY21	FY22F	FY23F
Revenue	3,247.4	3,518.6	3,656.0	4,106.3	4,612.2
EBITDA	546.6	658.1	706.3	780.4	878.0
Depreciation/Amortisation	(92.3)	(108.7)	(110.2)	(117.9)	(131.9)
Operating income (EBIT)	454.3	549.4	596.1	662.5	746.1
Other income & associates	(16.9)	-	11.2	23.8	32.2
Net interest	(3.7)	(5.1)	4.9	5.0	1.2
<b>Exceptional items</b>	-	-	-	-	-
Pretax profit	450.6	544.3	601.0	667.5	747.3
Taxation	(104.7)	(126.2)	(115.2)	(145.9)	(163.4)
<b>Minorities/pref dividends</b>	<b>12.2</b>	<b>27.9</b>	<b>28.5</b>	<b>26.7</b>	<b>34.2</b>
Net profit	333.7	390.1	457.2	494.9	549.7
Core net profit	333.7	390.1	457.2	494.9	549.7
<b>Balance Sheet (RMmil, YE 31 Jul)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22F</b>	<b>FY23F</b>
Fixed assets	1,247.8	1,322.6	1,382.7	1,564.8	1,732.9
Intangible assets	1,043.2	1,335.7	1,630.0	1,653.8	1,686.0
<b>Other long-term assets</b>	<b>118.1</b>	<b>101.6</b>	<b>142.2</b>	<b>142.2</b>	<b>142.2</b>
Total non-current assets	2,409.0	2,776.7	3,154.9	3,360.8	3,561.1
Cash & equivalent	257.6	413.2	243.3	231.2	251.1
Stock	321.2	354.0	387.0	434.6	488.2
Trade debtors	595.8	716.0	684.9	769.3	864.1
<b>Other current assets</b>	<b>523.9</b>	<b>340.4</b>	<b>624.6</b>	<b>717.8</b>	<b>824.6</b>
Total current assets	1,698.5	1,823.7	1,939.9	2,152.9	2,427.9
Trade creditors	438.2	624.5	523.0	587.5	659.8
Short-term borrowings	704.0	683.7	818.8	812.6	806.4
<b>Other current liabilities</b>	<b>187.5</b>	<b>45.0</b>	<b>224.8</b>	<b>224.8</b>	<b>224.8</b>
Total current liabilities	1,329.7	1,353.2	1,566.6	1,624.9	1,691.1
Long-term borrowings	269.8	357.3	301.0	294.8	288.6
<b>Other long-term liabilities</b>	<b>109.0</b>	<b>134.2</b>	<b>127.1</b>	<b>127.1</b>	<b>127.1</b>
<b>Total long-term liabilities</b>	<b>378.8</b>	<b>491.6</b>	<b>428.0</b>	<b>421.8</b>	<b>415.6</b>
Shareholders' funds	2,225.0	2,561.4	2,895.7	3,238.8	3,619.9
Minority interests	173.9	194.3	201.5	228.2	262.4
BV/share (RM)	1.79	2.09	2.28	2.51	2.77
<b>Cash Flow (RMmil, YE 31 Jul)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22F</b>	<b>FY23F</b>
Pretax profit	450.6	544.3	601.0	667.5	747.3
Depreciation/Amortisation	92.3	108.7	110.2	117.9	131.9
Net change in working capital	86.4	150.4	93.9	(196.5)	(220.7)
<b>Others</b>	<b>(72.0)</b>	<b>(88.1)</b>	<b>(105.5)</b>	<b>(141.9)</b>	<b>(158.8)</b>
Cash flow from operations	557.4	715.3	699.6	447.0	499.7
Capital expenditure	-	-	-	-	-
Net investments & sale of fixed assets	(306.0)	(499.8)	(775.7)	(300.0)	(300.0)
<b>Others</b>	<b>7.4</b>	<b>19.0</b>	<b>3.1</b>	<b>16.4</b>	<b>19.0</b>
Cash flow from investing	(298.6)	(480.9)	(772.5)	(283.6)	(281.0)
Debt raised/(repaid)	(19.4)	89.1	85.7	-	-
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(106.7)	(116.3)	(143.5)	(151.8)	(168.6)
<b>Others</b>	<b>(46.9)</b>	<b>(48.9)</b>	<b>(32.4)</b>	<b>(23.8)</b>	<b>(30.2)</b>
<b>Cash flow from financing</b>	<b>(173.0)</b>	<b>(76.1)</b>	<b>(90.2)</b>	<b>(175.6)</b>	<b>(198.8)</b>
<b>Net cash flow</b>	<b>85.7</b>	<b>158.4</b>	<b>(163.2)</b>	<b>(12.1)</b>	<b>19.9</b>
<b>Net cash/(debt) b/f</b>	<b>170.8</b>	<b>256.5</b>	<b>413.2</b>	<b>243.3</b>	<b>231.2</b>
Net cash/(debt) c/f	256.5	416.1	250.1	231.2	251.1
<b>Key Ratios (YE 31 Jul)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22F</b>	<b>FY23F</b>
Revenue growth (%)	23.6	8.3	3.9	12.3	12.3
EBITDA growth (%)	26.9	20.4	7.3	10.5	12.5
Pretax margin (%)	13.9	15.5	16.4	16.3	16.2
Net profit margin (%)	10.3	11.1	12.5	12.1	11.9
Interest cover (x)	123.5	107.7	nm	nm	nm
Effective tax rate (%)	23.2	23.2	19.2	21.9	21.9
Dividend payout (%)	30.1	26.4	28.3	30.7	30.7
Debtors turnover (days)	61	68	70	65	65
Stock turnover (days)	33	35	37	37	37
Creditors turnover (days)	46	55	57	49	49

Source: Company, AmInvestment Bank Bhd estimates

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