Scicom (MSC) Berhad

(0099 | SCIC MK) Industrial Products & Services | IT Services

Maintain BUY

Good set of results

***Unchanged* Target Price: RM1.30**

KEY INVESTMENT HIGHLIGHTS

- **FY22 core PATAMI of RM31.4m met our estimate**
- **Earnings grew due to contributions from new projects**
- **Fourth interim dividend of 2.0sen was announced**
- **Upward revision of dividend payout assumptions to 75%**
- **Maintain BUY with an unchanged TP of RM1.30**

Within expectations. Scicom (MSC) Berhad (Scicom) posted core PAT of RM31.4m in FY22, which matched our full-year estimate at 100% and consensus at 102%. A fourth interim dividend of 2.0 sen was announced, which was slightly above our expectation. This brings the total dividend for the year to 7.0 sen or equivalent to a dividend payout of c.79%.

Quarterly. Revenue was higher at RM67.5m (+21.2%yoy) mainly attributed to the growth in its existing projects under the Business Process Outsourcing (BPO) segment which had contributed c.90% to the increase. For the quarter, Scicom recorded core PAT of RM8.6m (+1.4%yoy). The marginal growth was due to the exclusion of an impairment on receivables in the corresponding quarter. Nevertheless, core PAT margin of 12.7% (4QFY21: 10.9%) saw an improvement thanks to a more favourable services mix for the BPO segment. On a quarter-on-quarter basis, core PAT grew by +18.4%qoq, despite the marginal growth in its topline by +2.1%qoq due to the abovementioned reason.

Cumulatively. In the 12-month period, Scicom registered revenue of RM265.1m (+22.6%yoy) mainly on the back of the new businesses that it has secured throughout the year which had contributed c.68% to the growth in the BPO segment. Consequently, core PAT was higher at RM31.4m (+11.5%yoy) with a sustained margin of 11.9%.

Earnings estimates. We make no changes to our earnings estimates, but we revised up our dividend payout assumptions to 75% (from 70% previously) for FY23F and FY24F, hence our estimated DPS are now higher at 7.0 sen and 7.5 sen respectively.

Maintain BUY. Considering the current macroeconomic trend, the management is expecting for an increase in transactional volumes for its existing BPO clients due to the low-cost base in Malaysia. Moreover, the Group is also expected to revive its Gov-tech sales pipeline with more borders reopening as they have received an increased level of interest for their new Integrated Border Management System especially from developing nations hence, we believe this would bode well for the Group's topline and bottomline in FY23. Overall, we maintain our **BUY** call on Scicom with an unchanged **TP of RM1.30** (FY23F EPS pegged to PE of 14x).

RETURN STATISTICS	
Price @ 26th August 2022 (RM)	1.00
Expected share price return (%)	+30.0
Expected dividend yield (%)	+7.0
Expected total return (%)	**+37.0**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-3.8	-4.4
3 months	-4.8	-7.1
12 months	-11.5	-6.2

KEY STATISTICS	
FBM KLCI	1,500.29
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Issue shares (m)	355.45
Estimated free float (%)	37.16
Market Capitalisation (RM'm)	355.45
52-wk price range	RM0.97 - RM1.33
Beta vs FBM KLCI (x)	0.96
Monthly velocity (%)	36.42
Monthly volatility (%)	9.92
3-mth average daily volume (m)	0.35
3-mth average daily value (RM'm)	0.36
Top Shareholders (%)	
Ariyanayakam Leo Suresh	25.89
Netinsat Asia Sdn Bhd	19.28
Jaganath De Ste Sabapathy	3.89

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INVESTMENT STATISTICS

Income Statement	FY2020A	FY2021A	FY2022A	FY2023E	FY2024F
Revenue	181.3	216.2	265.1	278.3	292.2
PBT	30.7	33.3	42.1	44.5	46.8
PATAMI	22.1	25.8	31.4	33.4	35.1
Core PATAMI	22.4	28.7	31.4	33.4	35.1
Core EPS (sen)	6.3	8.1	8.8	9.4	9.9
PER (x)	15.9x	12.4x	11.3x	10.6x	10.1x
DPS (sen)	5.0	5.5	7.0	7.0	7.5
Dividend yield (%)	5.0%	5.5%	7.0%	7.0%	7.5%

Source: Company, MIDFR

SCICOM: 4QFY22 RESULTS SUMMARY

Income Statement	4Q22	3Q22	4Q21	QoQ	YoY	FY22	FY21	YoY
Revenue	67.5	66.1	55.7	2.1%	21.2%	265.1	216.2	22.6%
EBIT	11.0	9.9	9.3	10.4%	17.5%	43.5	37.1	17.2%
Net finance costs	(0.4)	(0.5)	(0.9)	14.7%	54.7%	(1.8)	(1.2)	-55.6%
PBT	10.9	9.4	6.4	16.6%	71.7%	42.1	33.3	26.3%
Taxation	(2.3)	(2.1)	(0.2)	-9.7%	-837.3%	(10.7)	(7.5)	-41.8%
PAT	8.6	7.2	6.1	18.6%	40.5%	31.4	25.8	21.8%
Core PAT	8.6	7.2	8.4	18.4%	1.4%	31.4	28.2	11.5%
EBIT margin (%)	16.2%	15.0%	16.7%			16.4%	17.2%	
PBT margin (%)	16.2%	14.1%	11.4%			15.9%	15.4%	
PAT margin (%)	12.7%	10.9%	10.9%			11.9%	11.9%	

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology