Scientex Packaging (Ayer Keroh) Berhad

(8125 | SCIPACK MK) Industrial Products & Services | Containers and Packaging

Maintain BUY

The end of a challenging year

Unchanged Target Price: RM2.83

KEY INVESTMENT HIGHLIGHTS

- **FY22 core PATAMI of RM43.1m was within our estimate**
- **Decline in earnings was largely due to higher plastic resin prices and freight costs, which have begun to normalise**
- **Forward earnings estimates remain unchanged**
- **Maintain BUY with an unchanged TP of RM2.83**

Within expectations. Scientex Packaging (Ayer Keroh) Berhad (SciPack) posted core PATAMI of RM43.1m in FY22. This came in within expectations, making up 98% of ours and consensus full-year estimates. The Group has announced a single tier final dividend of 2.5 sen, bringing the total dividend declared for the year to 5.0 sen, which was also within our expectation. This represents a dividend payout of about 38%.

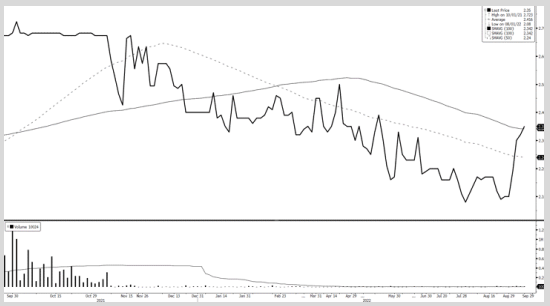
Quarterly. SciPack's revenue rose substantially to RM191.8m (+43.5%yoy) in 4QFY22 on the back of higher average selling prices (ASPs) and higher demand in both its domestic and export markets against a backdrop of ongoing economic recovery. In 4QFY21, the Group faces a myriad of operational challenges including temporary plant closures and reduction in allowed workforce capacity. As a result, core PATAMI increased to RM11.4m (+27.9%yoy). On a quarter-on-quarter basis, core PATAMI was up by +10.1%qoq.

Cumulatively. The Group's revenue in FY22 was higher at RM774.0m (+28.6%yoy) due to better operating environment. About 53% of the sales were from domestic market, while the remaining 47% were contributed by the export market. However, its core PATAMI fell to RM43.1m (-8.1%yoy) as a result of margin compression mainly due to higher raw material and freight costs.

Maintain BUY. No changes were made to our earnings estimate as the results were within our expectation. Plastic resin prices and freights costs have peaked and are currently on a downtrend, albeit still at elevated levels. Notwithstanding the encouraging demand for sustainable flexible plastic packaging, particularly within the food and beverage (F&B) and fast-moving consumer goods (FMCG) sectors, SciPack continues to face the following challenges: (i) labour shortage, (ii) elevated plastic resin (polyethylene and polypropylene) prices and logistics cost and (iii) political uncertainties which might weigh on its Myanmar operations. Nonetheless, we expect the Group's margins to recover in the coming quarters as the elevated costs normalise further. Overall, we maintain our **BUY** call on SciPack with an unchanged TP of **RM2.83** (FY23F EPS pegged to PER of 18x).

RETURN STATISTICS	
Price @ 28th September 2022 (RM)	2.35
Expected share price return (%)	+20.4
Expected dividend yield (%)	+2.3
Expected total return (%)	**+22.7**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	11.9	19.5
3 months	7.3	11.6
12 months	-13.0	-4.2

KEY STATISTICS	
FBM KLCI	1,401.89
Syariah compliant	Yes
F4BGM Index	N/A
ESG Grading Band (Star rating)	N/A
Issue shares (m)	327.36
Estimated free float (%)	20.34
Market Capitalisation (RM'm)	823.96
52-wk price range	RM2.08 - RM2.78
Beta vs FBM KLCI (x)	0.43
3-mth average daily volume (m)	0.00
3-mth average daily value (RM'm)	0.01
Top Shareholders (%)	
Scientex Berhad	71.89
Apollo Asia Fund Limited	10.30
Public Mutual Bhd	5.95

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INVESTMENT STATISTICS

Income Statement	FY2020A	FY2021A	FY2022E	FY2023F	FY2024F
Revenue	619.3	601.9	774.0	788.3	815.8
PBT	63.3	50.7	42.5	67.4	73.6
PATAMI	47.7	47.0	43.2	51.2	55.9
Core PATAMI	53.4	49.8	43.1	51.2	55.9
Core EPS (sen)	16.3	15.2	13.2	15.6	17.1
PER (x)	14.4x	15.4x	17.8x	15.0x	13.8x
DPS (sen)	5.0	2.0	5.0	5.5	6.0
Dividend yield (%)	2.1%	0.9%	2.1%	2.3%	2.6%

Source: Company, MIDFR

SPAK: 4Q22 RESULTS SUMMARY

Income Statement	4Q22	3Q22	4Q21	QoQ	YoY	FY22	FY21	YoY
Revenue	191.8	207.4	133.7	-7.5%	43.5%	774.0	601.9	28.6%
Operating profit	11.1	12.3	5.0	-10.1%	123.2%	45.1	52.2	-13.6%
Finance cost	(0.9)	(0.7)	(0.3)	-33.6%	-176.2%	(2.6)	(1.5)	-73.1%
PBT	10.2	11.6	4.6	-12.6%	119.5%	42.5	50.7	-16.1%
Tax expense	1.0	(1.3)	3.9	179.1%	-73.5%	(0.2)	(4.1)	95.5%
PATAMI	11.4	10.3	8.9	10.1%	27.7%	43.2	47.0	-8.2%
Core PATAMI	11.4	10.3	8.9	10.1%	27.9%	43.1	47.0	-8.1%
Core EPS	3.5	3.1	2.7	10.1%	27.9%	13.2	14.3	-8.1%
OP margin (%)	5.8%	5.9%	3.7%			5.8%	8.7%	
PBT margin (%)	5.3%	5.6%	3.5%			5.5%	8.4%	
PATAMI margin (%)	5.9%	5.0%	6.6%			5.6%	7.8%	

Source: Company, MIDFR

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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