

Kenanga upgrades Scientex to 'outperform', raises target price to RM9.70

KUALA LUMPUR (June 24): Kenanga Research upgraded its call for Scientex Bhd to "outperform", from "market perform", at RM8.77 following the latter's better-than-expected earnings and top line for the cumulative first nine months ended April 30, 2020 (9MFY20).

The target price (TP) was also raised significantly to RM9.70 from RM6.50 previously.

Kenanga Research analyst Marie Vaz said Scientex's 9MFY20 core net profit of RM252.3 million came in above the research firm's expectations at 91%

"We believe the deviation was due to our conservative top line estimate that overly anticipated weaker contributions from both the property and plastic segments due to the Covid-19 pandemic," she said in a note today.

Given the stronger-than-expected earnings for 9MFY20, Vaz increased her FY20-21 earnings estimates to RM351 million-RM443 million on stronger property launches of RM1 billion-RM1.3 billion, from RM800 million-RM1.2 billion, and an increase in the manufacturing utilisation rate to 65% in FY20 from 60%.

"We are confident of our call given that Scientex has been able to weather the Covid-19 pandemic better than expected with its utilisation rate bouncing back to 60% currently, while we are confident of its ability to generate strong earnings growth year-on-year (+6%/+26% in FY20/21), cushioned by high margins of the property segment," she added.

Yesterday, Scientex announced that its 9MFY20 net profit rose 23.8% to RM248.06 million, from RM200.29 million, on the back of an 11.1% increase in revenue to RM2.56 billion from RM2.31 billion.

Scientex also declared an interim dividend of 10 sen, in respect of the financial year ending July 31, 2020 (FY20), to be paid on July 24.

It said the dividend payout of RM51.6 million amounts to 20.8% of its net profit for 9MFY20.

At 10.30am, shares in Scientex were trading up six sen or 0.68% at RM8.83 after 49,800 shares were traded.