

30 June 2022

SCGM Berhad

Ceased Coverage

By Tan Jia Hui | jhtan@kenanga.com.my

FY22 core net profit of RM31.1m was within our forecast. Overall, profit margin improved sequentially on better operational cost efficiency and better product mix. Nonetheless, due to the lack of the inventor's interest while the company is diverting its core business, we are ceasing active coverage on SCGM for now. It is now a NOT RATED stock with our last TP of RM2.53.

FY22 results was in line with core net profit of RM31.1m which made up 101.8% of our full-year estimates while FY22 DPS of 6.4 sen came within our estimates of 6.3 sen.

YoY, revenue rose 15.5% to RM284.7m, thanks to higher sales volume from the food packaging segment. EBIT margin declined 1.7ppt to 13.4%, likely due to higher production costs. The group's CNP dipped by 8.7% on a higher effective tax rate of 18.8% (vs. FY21: 9.5%).

QoQ, despite muted revenue growth of 0.3% in 4QFY22, EBIT margin improved by 39.4% on the back of (i) better cost efficiency amid the rising costs and (ii) better product mix as adjusted ASPs on selected products. All in, the group recorded CNP of RM8.0m, albeit higher deferred tax expenses.

Outlook. We gathered that resin prices have softened and are expected to stay at higher price levels. We believe the group's top line will continue to sustain on the back of sustained demand with a current utilization rate of 65-70%. However, we are cautious that its bottom line may be impacted by (i) higher operational costs due to labour shortage and (ii) volatile resin costs.

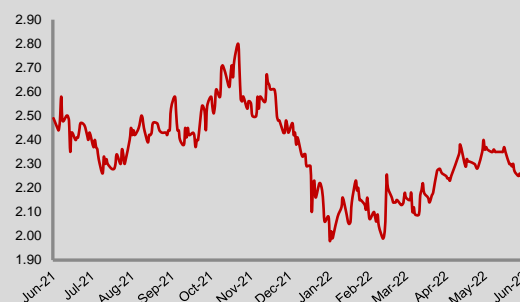
Post results, no changes to our FY23 earnings estimate while we introduce FY24 earnings forecast of RM38.7m.

Ceasing Coverage. Due to lack of investor's interest as well as the impending disposal of its entire core business for a cash consideration of RM544.4m, we are ceasing active coverage on SCGM for now. The stock is now assigned NOT RATED from MARKET PERFORM with our last TP of RM2.53, based on unchanged FY23E PER of 14x, which is a c.23% premium to 1-year forward sector average forward PER of 11.4x.

NOT RATED

Price: RM2.42
Target Price: RM2.53 ↔

Share Price Performance



KLCI 1,451.48
YTD KLCI chg -7.4%
YTD stock price chg -5.0%

Stock Information

Shariah Compliant Yes
Bloomberg Ticker SCGM MK
Market Cap (RM m) 441.0
Shares outstanding 192.6
52-week range (H) 2.83
52-week range (L) 1.96
3-mth avg daily vol: 1,223,356
Free Float 47%
Beta 0.6

Major Shareholders

Scgm Lee Sdn Bhd 15.9%
Lee Hock Seng 9.3%
Lee Hock Guan 6.7%

Summary Earnings Table

FY Apr (RMm)	2022A	2023E	2024E
Turnover	284.7	328.9	370.3
EBIT	40.4	46.0	48.5
PBT	38.0	43.3	48.5
Net Profit (NP)	30.9	34.6	38.7
Core NP	31.1	34.6	38.7
Consensus (NP)		29.3	33.4
Earnings Revision		N/A	NEW
Core EPS (sen)	16.0	17.9	20.1
Core EPS growth (%)	-9.8	12.0	12.0
NDPS (sen)	6.4	7.2	8.0
BV/Share (RM)	0.9	1.4	1.5
Core PER (x)	14.3	12.8	11.4
Price/BV (x)	2.6	1.7	1.5
Net Gearing (x)	0.3	0.0	0.0
Net Dvd Yield (%)	2.8	3.1	3.5

30 June 2022

Results Highlights

FY Apr (RM m)	4Q22	3Q22	QoQ Chg	4Q21	YoY Chg	FY22	FY21	YoY chg
Revenue	71.5	71.3	0%	65.7	9%	284.7	246.5	15%
Other Income	0.9	0.3	183%	0.5	87%	2.1	1.9	10%
EBIT	11.3	8.1	39.4%	10.4	8%	40.4	40.2	0.7%
Finance Cost	-0.6	-0.6	-6%	-0.6	-14%	-2.4	-3.0	-21%
PBT	10.8	7.5	43.0%	9.8	10%	38.0	37.1	2%
Tax	-2.3	-1.2	85%	-2.2	5%	-7.2	-3.5	103%
Net Profit	8.5	6.3	35%	7.6	11%	30.9	33.6	-8%
Core Net Profit	8.0	6.8	17.8%	7.9	0%	31.1	34.0	-9%
Core EPS (sen)	4.1	3.5	17.8%	4.1	0%	16.1	17.7	-9%
Net DPS (sen)	1.32	1.4		1.5		6.4	3.2	16%
EBIT Margins %	15.8%	11.4%		15.9%		14.2%	16.3%	
CNP Margins %	11.1%	9.5%		12.1%		10.9%	13.8%	
Effective Tax Rate %	-21.2%	-16.4%		-22.2%		-18.8%	-9.5%	

Source: Kenanga Research

This section is intentionally left blank

30 June 2022

Peer Comparison

Name	Last Price	Market	Shariah	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div. Yld. (%)	Target	Rating
	(RM)	Cap (RM'm)	Compliant	FYE	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	Price (RM)	
STOCKS UNDER COVERAGE																	
BPP PLASTIC HOLDINGS BHD	1.27	357.5	Y	12/2022	13.8%	7.8%	-12.1%	25.2%	7.7	8.8	7.0	1.5	1.4	16.8%	4.7%	1.45	MP
SCGM BHD	2.29	441.0	Y	04/2023	15.1%	16.0%	-10.3%	13.4%	12.9	14.5	12.7	2.3	2.1	15.1%	2.8%	2.53	Ceased Coverage
SCIENTEX BHD	3.43	5,319.9	Y	07/2022	5.4%	18.1%	-13.4%	44.0%	12.0	13.8	9.6	1.8	1.6	12.5%	2.2%	3.33	MP
SLP RESOURCES BHD	0.880	278.9	Y	12/2022	9.7%	5.5%	28.6%	9.3%	15.9	12.4	11.3	1.5	1.5	12.0%	6.3%	0.990	OP
THONG GUAN INDUSTRIES BHD	2.23	859.8	Y	12/2022	19.7%	20.4%	22.2%	21.2%	9.1	7.4	6.1	1.1	1.0	14.3%	2.5%	3.90	OP
Simple Average					12.7%	13.6%	3.0%	22.7%	11.5	11.4	9.4	1.7	1.5	14.1%	3.67%		

Source: Bloomberg, Kenanga Research

This section is intentionally left blank

30 June 2022

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published and printed by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

