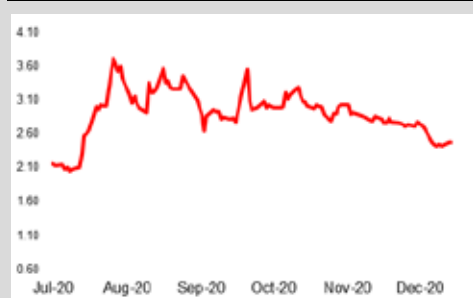


**DESCRIPTION**

Established since 1984 and is Malaysia's leading thermo-vacuum form plastic packaging manufacturer

**12-Month Target Price** RM3.84  
**Current Price** RM2.48  
**Expected Return** +54.8%

**Market** Main  
**Sector** Packaging  
**Bursa Code** 7247  
**Bloomberg Ticker** SCGM MK  
**Shariah-compliant** Yes

**SHARE PRICE CHART**


52 Week Range (RM) 0.76-3.95  
3-Month Average Vol ('000) 2,687.3

**SHARE PRICE PERFORMANCE**

	1M	3M	6M
Absolute Returns	-13.6	-12.1	36.6
Relative Returns	-16.4	-20.8	21.0

**KEY STOCK DATA**

Market Capitalisation (RM m) 475.0  
No. of Shares (m) 192.8

**MAJOR SHAREHOLDERS**

	%
Lee Family	44.6
KWAP	4.1

**Chong Hoe Leong**

T 603 2268 3015

F 603 2268 3014

E chonghoeleong@publicinvestbank.com.my

## Record Quarterly Earnings

Despite registering only an 8.3% YoY growth in 1HFY21 topline, SCGM's bottomline tripled to RM18m on the back of improved plastic packaging sales mix, lower resin cost and a decline in interest expense as well as low effective tax rate of 7.7% on unutilized reinvestment allowance. The strong results made up 58% and 54% of our and consensus expectations, respectively. Despite the stronger-than-expected results, we keep our earnings forecasts unchanged at this juncture as we expect to see weaker margins in the near-term, dragged by higher resin costs. We maintain our **Outperform** call with an unchanged TP of RM3.84 nonetheless. A higher DPS of 1.5sen (vs 1sen for 2QFY20) was declared for the quarter.

§ **2QFY21 sales rose 14% YoY.** Group sales rose to RM61m, led by stronger demand for customized F&B packaging products from the export (+16.4%) and local (+12.7%) markets despite slower orders from the OEM trays. F&B packaging sales remained the biggest contributor, accounting for 83% of total revenue or RM50.6m in 2QFY21. The personal protective equipment segment, comprising manufacturing of face masks and face shield contributed 3% or RM1.6m, a 61.8% increase compared to the RM1m in the preceding quarter. The rest was derived from extrusion, electronic and electrical segments.

§ **Core earnings surged 160% YoY.** During the quarter, the Group's bottomline skyrocketed to RM9.9m, bolstered by i) lower resin cost, ii) lower interest expense, iii) favourable product mix and iv) cost savings from the consolidation of its Telok Panglima Garang plant with the Kulai plant since March 2020. Meanwhile, the lower effective tax of 10.3% due to the partial utilization of unutilized reinvestment allowance and partial recognition of deferred tax asset on unabsorbed reinvestment allowance also contributed significantly to the strong results. The Group's net gearing reduced to 0.37x from 0.60x a year ago.

§ **Continuous capacity expansion in face mask production.** To support the higher demand of face masks, The Group has allocated RM0.2m to purchase 1 unit of automatic face mask production and packaging machines to produce single-pack face masks for export markets, including Singapore and US. Upon commencement in Jan 2021, the Group's face mask production capacity would increase to 7.2m pieces/mth from the current 6m pieces/mth.

**KEY FINANCIAL SUMMARY**

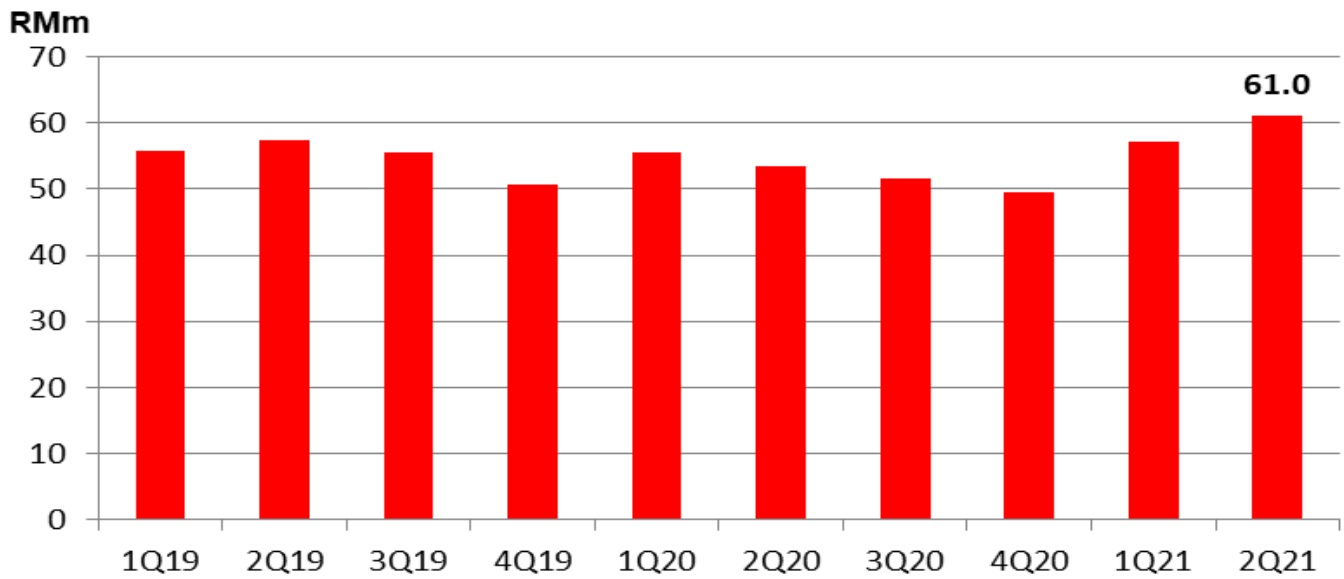
FYE Apr (RMm)	2019A	2020A	2021F	2022F	2023F	CAGR
Revenue	219.6	210.5	289.5	327.8	357.7	13.0%
Gross Profit	24.3	18.9	66.6	75.4	80.5	34.9%
Pre-tax Profit	-1.6	15.9	34.4	39.8	42.0	38.3%
Core Net Profit	-5.0	17.3	30.9	33.8	35.7	27.3%
EPS (Sen)	-2.6	8.9	16.0	17.5	18.5	27.5%
P/E (x)	-96.0	22.2	15.5	14.2	13.4	
DPS (Sen)	1.5	3.3	6.4	7.0	7.4	
Dividend Yield (%)	0.6	1.7	2.6	2.8	3.0	

Source: Company, PublicInvest Research estimates

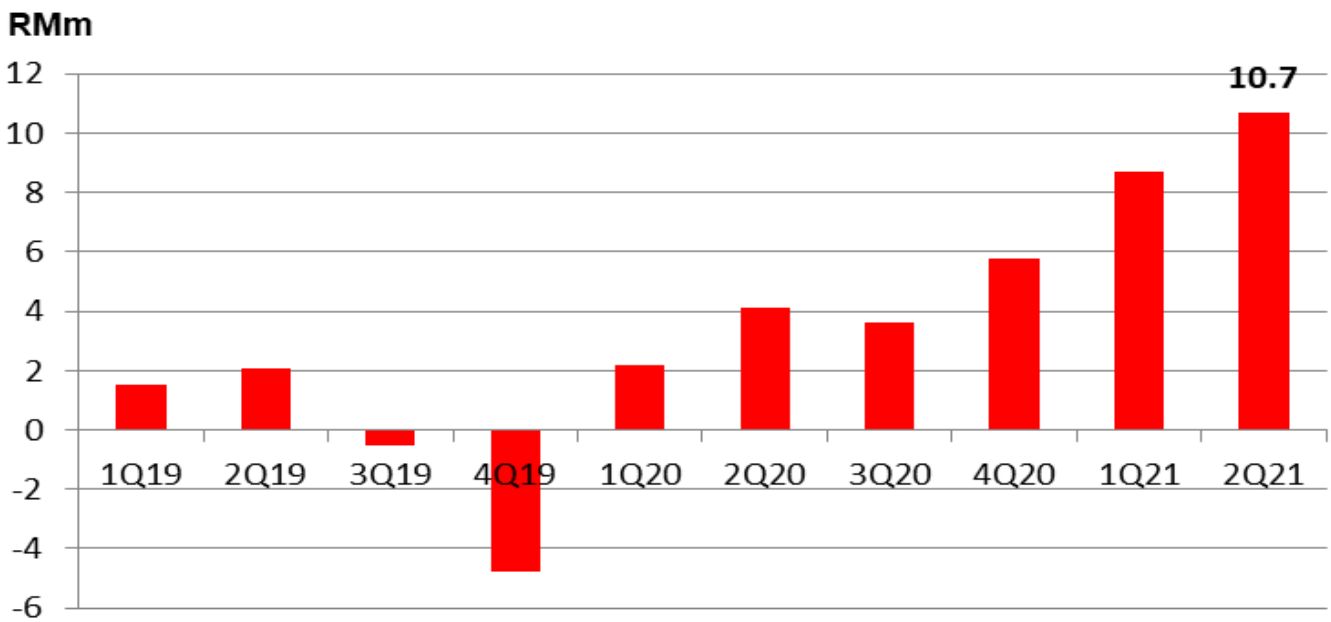
**Figure 1: Results Summary**

<b>FYE Apr (RMm)</b>	<b>2Q21</b>	<b>2Q20</b>	<b>1Q21</b>	<b>QoQ chg (%)</b>	<b>YoY chg (%)</b>	<b>YTD FY21</b>	<b>YTD FY20</b>	<b>YoY chg (%)</b>	<b>Comments</b>
Revenue	61.0	53.5	57.2	6.6	14.0	118.2	109.1	8.3	Driven by stronger sales from both local and export markets
Operating expenses	-49.9	-48.5	-48.2	3.5	2.9	-98.1	-101.0	-2.9	
<b>Gross profit</b>	<b>11.1</b>	<b>5.0</b>	<b>9.0</b>	<b>23.3</b>	<b>&gt;100</b>	<b>20.1</b>	<b>8.1</b>	<b>&gt;100</b>	
Other Operating income	0.4	0.3	0.6	-33.3	33.3	1.0	0.8	25.0	
<b>Operating profit</b>	<b>11.5</b>	<b>5.3</b>	<b>9.6</b>	19.8	>100	<b>21.1</b>	<b>8.9</b>	<b>&gt;100</b>	
Finance costs	-0.8	-1.2	-0.9	-11.1	-33.3	-1.7	-2.6	-34.6	
<b>Pre-tax profit</b>	<b>10.7</b>	<b>4.1</b>	<b>8.7</b>	<b>23.0</b>	<b>&gt;100</b>	<b>19.4</b>	<b>6.3</b>	<b>&gt;100</b>	
Taxation	-1.1	-0.1	-0.4	>100	-	-1.5	-0.1	>100	
<b>Net profit</b>	<b>9.6</b>	<b>4.0</b>	<b>8.3</b>	<b>15.7</b>	<b>&gt;100</b>	<b>17.9</b>	<b>6.2</b>	<b>188.7</b>	
Core net profit	9.9	3.8	8.1	22.2	>100	18.0	6.0	>100	Led by favourable product mix, lower resin prices and lower interest expense
Core EPS (sen)	5.1	2.0	4.2	22.2	>100	9.3	3.1	>100	
DPS (sen)	1.5	1.0	1.7	-11.8	50.0	3.2	1.3	>100	Ex-date: 06 Jan 2021
Gross Margin (%)	18.2	9.3	15.7	-	-	17.0	7.4	-	
Pre-tax Margin (%)	17.5	7.7	15.2	-	-	16.4	5.8	-	
Net Margin (%)	15.7	7.5	14.5	-	-	15.1	5.7	-	
Effective tax rate (%)	10.3	2.4	4.6	-	-	7.7	1.6	-	

Source: Company, PublicInvest Research

**Figure 2: Quarterly Revenue**


Source: Company, PublicInvest Research

**Figure 3: Quarterly Pre-tax profit**


Source: Company, PublicInvest Research

## KEY FINANCIAL DATA

### INCOME STATEMENT DATA

FYE Apr (RM m)	2019A	2020A	2021F	2022F	2023F
<b>Revenue</b>	219.6	210.5	289.5	327.8	357.7
Gross Profit	<b>24.3</b>	<b>18.9</b>	<b>66.6</b>	<b>75.4</b>	<b>80.5</b>
EBITDA	18.5	34.3	71.2	80.6	88.0
Net Finance (costs)/income	-14.7	-13.6	-14.5	-14.6	-14.7
Other expenses	-5.6	-4.8	-5.4	-5.4	-5.4
<b>Pre-tax Profit</b>	<b>-1.6</b>	<b>15.9</b>	<b>34.4</b>	<b>39.8</b>	<b>42.0</b>
Income Tax	-3.4	1.4	-3.4	-6.0	-6.3
Effective Tax Rate (%)	-212.5	-	10.0	15.0	15.0
<b>Core Net Profit</b>	<b>-5.0</b>	<b>17.3</b>	<b>30.9</b>	<b>33.8</b>	<b>35.7</b>
<b>Growth (%)</b>					
Revenue	15.0	-4.1	37.5	13.2	9.1
Operating Profit	127.5	-21.9	66.0	13.2	6.7
Core Net Profit	14.7	>100	78.9	9.3	5.6

Source: Company, PublicInvest Research estimates

### BALANCE SHEET DATA

FYE Apr (RM m)	2019A	2020A	2021F	2022F	2023F
Fixed assets	213.4	193.2	191.5	178.9	166.2
Other long-term assets	1.5	10.7	0.0	0.0	0.0
Cash at bank	8.2	4.9	3.9	22.5	45.6
Other current assets	86.4	89.3	121.9	137.5	149.7
<b>Total Assets</b>	<b>309.5</b>	<b>298.2</b>	<b>317.3</b>	<b>338.9</b>	<b>361.5</b>
Short-term borrowings	53.5	42.7	42.8	42.8	42.8
Long-term borrowings	11.7	47.1	9.3	9.3	9.3
Payables	0.0	10.1	0.0	0.0	0.0
Other liabilities	87.4	28.2	76.5	77.9	79.0
<b>Total Liabilities</b>	<b>152.6</b>	<b>128.1</b>	<b>128.6</b>	<b>130.0</b>	<b>131.1</b>
Shareholder Equity	156.9	170.1	188.7	209.0	230.4
<b>Total Equity and Liabilities</b>	<b>309.5</b>	<b>298.2</b>	<b>317.3</b>	<b>338.9</b>	<b>361.5</b>

Source: Company, PublicInvest Research estimates

### PER SHARE DATA & RATIOS

FYE Apr	2019A	2020A	2021F	2022F	2023F
Book Value Per Share (RM)	0.8	0.9	1.0	0.0	0.0
NTA Per Share (RM)	0.8	0.9	1.0	0.0	0.0
EPS (sen)	-2.6	8.9	16.0	17.5	18.5
DPS (sen)	1.5	3.3	6.4	7.0	7.4
Payout Ratio (%)	-58.1	36.5	40.0	40.0	40.0
ROA (%)	-1.6	5.8	9.8	10.0	9.9
ROE (%)	-3.2	10.1	16.4	16.2	15.5

Source: Company, PublicInvest Research estimates

## RATING CLASSIFICATION

### STOCKS

<b>OUTPERFORM</b>	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
<b>NEUTRAL</b>	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
<b>UNDERPERFORM</b>	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
<b>TRADING BUY</b>	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
<b>TRADING SELL</b>	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
<b>NOT RATED</b>	The stock is not within regular research coverage.

### SECTOR

<b>OVERWEIGHT</b>	The sector is expected to outperform a relevant benchmark over the next 12 months.
<b>NEUTRAL</b>	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
<b>UNDERWEIGHT</b>	The sector is expected to underperform a relevant benchmark over the next 12 months.

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**PUBLIC INVESTMENT BANK BERHAD (20027-W)**

9<sup>th</sup> Floor, Bangunan Public Bank

6, Jalan Sultan Sulaiman

50000 Kuala Lumpur

T 603 2268 3000

F 603 2268 3014

Dealing Line 603 2268 3129