

MEDIA CLIPPING

Client :	SCGM Berhad	Date :	7 May 2015
Media :	The Edge Financial Daily	Section :	Business
Language :	English		

INSIDER ASIA'S STOCK OF THE DAY

SCGM BHD

SCGM (Fundamental: 3/3, Valuation: 1.7/3) is one of InsiderAsia's Top 10 Stock Picks for 2015. The stock has been one of our best performers, having risen a whopping 52.3% since it was first featured in January.

We still like the company for its dominant position in the industry, hands-on management team, low-cost advantage, above-average ROE with little leverage and solid growth potential.

Going forward, earnings growth will be underpinned by two recently commissioned fully automated forming-punching machines (from 10 units previously) as well as a new plastic cup line that will lift sales by 20% in FYApril2016.

SCGM will also benefit from low oil prices — hence lower resin raw material costs — and weak ringgit. Export currently accounts for about 45% of total sales, denominated mostly in SGD and USD.

The company intends to expand its export markets, now mainly Australia and Singapore. In particular, it plans to produce higher tech-

nology range such as airtight and watertight containers for developed markets. Export sales expanded at a 3-year CAGR of 14.0% to RM43.8 million in FY2014.

Based in Kulajaya, Johor, SCGM is a leading manufacturer of thermo-vacuum formed plastic packaging — mainly disposable plastic trays and containers — with an estimated 70% market share in Malaysia. The company derives about 75% of its sales from the resilient food industry, selling to over 60 well-known brands such as Julie's, Munchy's Food and AEON.

For 9MFY2015, net profit rose 15.6% y-o-y to RM10.4 million on the back of a 5.6% increase in sales to RM80.8 million. Net margin widened to 12.9% from 11.5% in FY2014, due to lower raw material costs, foreign exchange gains and economies of scale.

Dividends totalled 9 sen per share for 9MFY2015. Investors can expect a final dividend payment in the last quarter. We estimate net yield at around 4.5-5%.



Valuation score*	1.70
Fundamental score**	3.00
TTM P/E (x)	17
TTM PEG (x)	0.93
P/NAV (x)	2.9
TTM Dividend yield (%)	6.91
Market capitalisation (mil)	220.00
Shares outstanding (ex-treasury) mil	80.00
Beta	0.70
12-month price range	1.34-2.87

*Valuation score - Composite measure of historical return & valuation

**Fundamental score - Composite measure of balance sheet strength & profitability

Note: A score of 3.0 is the best to have and 0.0 is the worst to have

SCGM BHD (ALL FIGURES IN MYR MIL)	FY12 30/4/2012	FY13 30/4/2013	FY14 30/4/2014	FY2015Q3 31/1/2015
Income Statement				
Turnover	82.11	96.89	100.3	27.36
EBITDA	12.11	14.77	19.84	6.13
Depreciation	3.8	4.11	4.62	1.21
EBIT	8.31	10.65	15.22	4.92
Associates	0	0	0	0
Interest income	0.01	0.02	0.1	0.02
Interest expense	0.34	0.25	0.31	0.04
Extraordinary gain/(loss)	0	(0.05)	0	0
Pre-tax profit	7.99	10.36	15.01	4.9
Net profit - owners of company	5.61	7.84	11.49	3.85
Balance sheet				
Fixed assets - PPE	32.93	35.21	32.15	40.48
Biological assets	0	0	0	0
Intangibles & goodwill	0	0	0	0
Cash and equivalents	2.9	6.34	15.84	6.79
Total current assets	41.01	43.69	52.63	45.79
ST borrowings	2.74	0.38	0.17	1.01
Total current liabilities	10.54	8.63	8.33	8.19
Total assets	63.93	70.27	76.46	78.07
Shareholders' fund	60.46	65.9	73.39	75.82
Long term borrowings	0.54	0.17	0	0

SCGM BHD RATIOS	FY12 30/4/2012	FY13 30/4/2013	FY14 30/4/2014	ROLLING 12-MTH
DPS (MYR)	0.02	0.05	0.1	0.19
Net asset per share (MYR)	0.76	0.82	0.92	0.95
ROE (%)	9.54	12.41	16.5	18.36
Turnover growth (%)	9.38	18	3.52	5.47
Net profit growth (%)	(11.72)	39.65	46.54	18.25
Net margin (%)	6.84	8.09	11.46	12.38
ROA (%)	8.86	11.69	15.66	17.53
Current ratio (x)	3.89	5.06	6.32	5.59
Gearing (%)	0.63	0	0	0
Interest cover (x)	35.76	58.3	64.3	131.49