

29 August 2018 | Briefing Note

Scicom (MSC) Berhad

Brighter prospects in FY19

INVESTMENT HIGHLIGHTS


- **New BPO contracts in FY19**
- **Cambodia tourism project expected to kick start**
- **Potential new businesses in the horizon**
- **Maintain BUY with unchanged TP of RM2.29**

New BPO contracts in FY19. We are reassured of Scicom's ability to replenish its orders for the business processes outsourcing (BPO) segment in FY19 following the analyst briefing yesterday. We understand that prospective new agreements with estimated job values of RM110m are in the pipeline and would last the company for about two years. Recall that Scicom was supposed to roll out new projects in FY18 for its multinational company customer but the plan had been deferred due to political uncertainties. With the removal of these uncertainties post-election, we believe that the project implementation would take place in FY19 and is expected to contribute positively to Scicom's top and bottomline.

EMGS segment saw an uptick in applications post GE14. The number of student visa application has been subdued prior to Malaysia's 14th General Election. Following the conclusion of the event, the number of foreign students applying to study in Malaysia has picked up again compared to 4QFY18.

Cambodia tourism project expected to kick start in FY19 following the launching delay because of Cambodia's general election. The tourism project is expected to be launched there when the local political dust settles. Earnings contribution from the project may also start in 1HFY19.

Potential new businesses in the horizon. On top of the existing businesses, Scicom is also working on complementary businesses such as digital marketing that may help to boost its existing business. On top of that it continues to explore e-government solutions opportunities in developing countries like Nepal, South Africa and Sri Lanka.

Maintain BUY with unchanged TP of RM2.29, as we make no change to our earnings forecast, which is pegged to FY19 EPS of 12.5 sen at 18.3x PER. We believe that the healthy replenishment of jobs and recovery in its existing business segments should help Scicom achieve better earnings in FY19. The dividend yield of 4.9% is considered attractive while its cashpile of RM52.3m as of end June is expected to support its dividend payout. 

Maintain BUY

Unchanged Target Price (TP): RM2.29

RETURN STATS	
Price (28 th August 2018)	RM1.83
Target Price	RM2.29
Expected Share Price Return	+25.1%
Expected Dividend Yield	+4.9%
Expected Total Return	+30.0%

STOCK INFO		
KLCI	1,826.90	
Bursa / Bloomberg	0099/ SCIC MK	
Board / Sector	Main/ Trading & Services	
Syariah Compliant	Yes	
Issued shares (m)	355.45	
Market cap. (RM'm)	650.48	
Price over NTA	6.50	
52-wk price Range	RM1.58 – 2.16	
Beta (against KLCI)	0.82	
3-mth Avg Daily Vol	0.09	
3-mth Avg Daily Value	0.17	
Major Shareholders (%)		
Dato Sri Leo Ariyanayakam	24.9	
Netinsat Asia Sdn Bhd	19.3	
EPF	5.8	
Price Performance (%)	Absolute	Relative
1 month	-2.7	-5.7
3 months	-8.0	-8.8
12 months	-11.2	-14.4

INVESTMENT STATISTICS

FYE Jun	FY16	FY17	FY18	FY19F	FY20F
Revenue (RM'm)	196.30	199.49	165.30	212.54	226.22
Pretax Profit (RM'm)	44.91	49.77	37.03	55.28	64.89
Net Profit (RM'm)	41.95	45.40	32.22	44.49	49.62
EPS (sen)	11.80	12.77	9.07	12.52	13.96
EPS growth (%)	20.91	8.23	-29.02	38.05	11.53
PER (x)	15.51	14.33	20.19	14.62	13.11
Net Dividend (sen)	9.00	9.00	9.00	9.00	9.00
Dividend yield (%)	4.92	4.92	4.92	4.92	4.92
Gearing (x)	Net cash	Net cash	Net cash	Net cash	Net cash
ROE (%)	45.3	43.1	31.2	38.7	37.4
ROA (%)	38.0	39.4	29.0	34.9	33.9
NTA per share (RM)	0.25	0.29	0.28	0.32	0.36
Price to NTA (x)	7.30	6.38	6.44	5.77	5.08

Source: Company, MIDF Research

DAILY PRICE CHART



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Source: Bloomberg

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).

(Bank Pelaburan)

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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 <i>rise</i> 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 <i>fall</i> 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.