

23 May 2018 | Briefing note

Scicom (MSC) Berhad

Looking forward to a better FY19

INVESTMENT HIGHLIGHTS


- **Cambodia tourism project on track**
- **New projects from MNC customers could start in 1QFY19**
- **Education Malaysia Global System (EMGS) expected to recover gradually**
- **Maintain BUY with unchanged TP of RM2.29**

Cambodia tourism project on track. We came away from Scicom's analyst briefing feeling positive about the progress of the tourism project that Scicom received from the Cambodian project in February. According to the management, implementation work is on schedule and if everything goes well, the project could start as soon as 1QFY19.

New projects from MNC customers could start in 1QFY19. Scicom's 3QFY18 results were lower than expected partially due to the delay in a new project implementation. As a result, the new project would be carried forward to FY19. The company is also exploring other contracts and additional jobs from existing and new customers. We opine that job replenishment shouldn't be an issue given Scicom's track record and capabilities.

Education Malaysia Global System (EMGS) expected to recover gradually. Meanwhile, we expect the EMGS segment to improve going forward after the number of visas processed in 3QFY18 fell as much as double-digit yoy. We anticipate a gradual recovery, which is premised on real demand from foreign students who choose Malaysia as their tertiary education destination. Recall that in 2017, some colleges operators have been suspended because they do not meet regulatory requirements. This process could have eliminated applicants who might intend to use their student visas to enter the country for other purposes.

FY18F/FY19F earnings forecast intact. We maintain our earnings estimates as our assumptions are unchanged.

Maintain BUY with unchanged TP of RM2.29 as we make no changes to our earnings forecast, which is pegged on FY19 EPS of 12.5 sen at 18.3x PER. It is in a net cash position of RM45.8m as of end March. The 18.3x ascribed is based on Scicom's 4-year mean P/E, which has since incorporated income from the e-government segment. Dividend yield is estimated at 4.8%. 

Maintain BUY

Unchanged Target Price (TP): RM2.29

RETURN STATS	
Price (22 nd May 2018)	RM1.89
Target Price	RM2.29
Expected Share Price Return	21.1%
Expected Dividend Yield	+4.8%
Expected Total Return	+25.9%

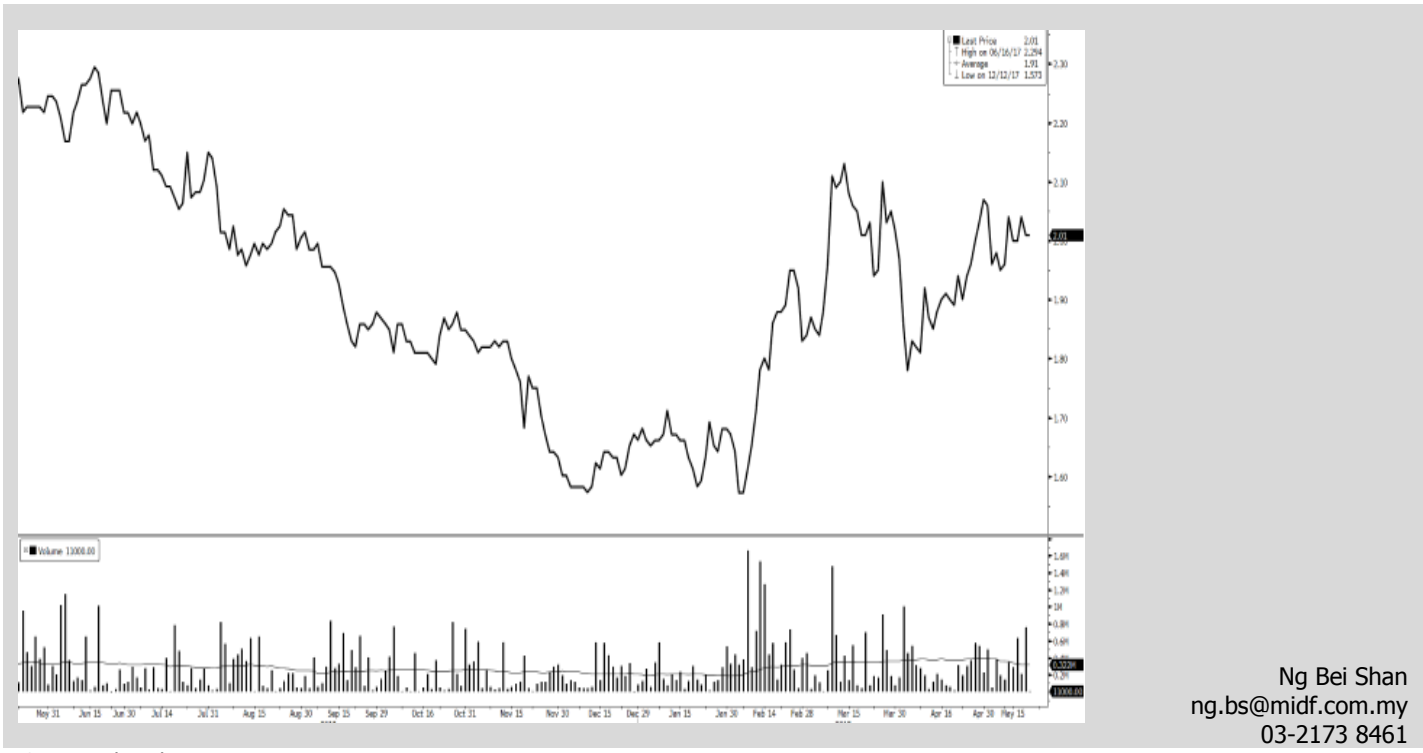
STOCK INFO		
KLCI	1,845.03	
Bursa / Bloomberg	0099/ SCIC MK	
Board / Sector	Main/ Trading & Services	
Syariah Compliant	Yes	
Issued shares (m)	355.45	
Market cap. (RM'm)	671.81	
Price over NTA	6.72	
52-wk price Range	RM1.58 – 2.38	
Beta (against KLCI)	1.02	
3-mth Avg Daily Vol	0.33	
3-mth Avg Daily Value	0.65	
Major Shareholders (%)		
Dato Sri Leo Ariyanayakam	24.9	
Netinsat Asia Sdn Bhd	19.3	
EPF	5.8	
Price Performance (%)	Absolute	Relative
1 month	-0.5	1.4
3 months	-6.4	-2.2
12 months	-18.5	-22.0

INVESTMENT STATISTICS

FYE Jun	FY15	FY16	FY17	FY18F	FY19F
Revenue (RM'm)	176.83	196.30	199.49	178.94	212.94
Pretax Profit (RM'm)	34.04	44.91	49.77	40.36	55.28
Net Profit (RM'm)	34.69	41.95	45.40	36.60	44.49
EPS (sen)	9.76	11.80	12.77	10.30	12.52
EPS growth (%)	24.61	20.91	8.23	-19.39	21.56
PER (x)	19.36	16.02	14.80	18.36	15.10
Net Dividend (sen)	7.50	9.00	9.00	9.00	9.00
Dividend yield (%)	3.97	4.76	4.76	4.76	4.76
Gearing (x)	Net cash	Net cash	Net cash	Net cash	Net cash
ROE (%)	43.3	45.3	43.1	34.0	37.3
ROA (%)	36.7	38.0	39.4	31.2	33.7
NTA per share (RM)	0.22	0.25	0.29	0.30	0.33
Price to NTA (x)	8.57	7.54	6.59	6.38	5.73

Source: Company, MIDF Research

DAILY PRICE CHART



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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.