

## Rexit Bhd

### Great start for FY24

#### Summary

- **In-line with expectations.** For 1QFY24, Rexit Berhad (REXIT) managed to record core earnings of RM2.8m, which increased 16% YoY, but contracted 23.2% QoQ against 1QFY23. The core earnings came in within expectation, accounting to 24.6% and 25.6% of ours and consensus estimates of RM11.4m and RM11.0m.
- **Dividend.** 5 sen dividend was announced this quarter and will be ex on 12<sup>th</sup> of December and will be paid on 27<sup>th</sup> December. This is an increase of dividend from 4 sen that was paid in FYE Jun-23.
- **QoQ.** Core PATMI contracted 23.2% QoQ, due mainly to lower software customization services.
- **YoY.** The core PATMI rose 16.0% YoY, thanks to the increase in software sales and services which contributed to the increase of revenue by 6.61% to RM7.0m vs. RM6.5m in 1QFY23.
- **Net cash position.** As at FY23, REXIT's net cash position stood at RM27.5m (20.3% of the market cap), translating to a net cash per share of 15.9 sen. Its net cash position will be comfortable to support its capex required for any future expansion.
- **Outlook.** Going forward, we expect the customization services segment to grow at a softer pace after last quarter's boost. Concurrently, the broader insurance industry is poised to become increasingly digitalized post Covid-19 environment, likely generating more transactional revenue for Rexit through the e-Cover system. We opine that Rexit's clients will remain loyal to the Group's offerings, expecting the continuity in their engagement.

#### Valuation & Recommendation

- **Forecast unchanged.** Given that the core earnings came in within expectations, we maintained the forecasted earnings at RM11.4m and RM12.0m for FY24f-25f.
- **Downgrade to HOLD with TP at RM0.925.** Given the recent rally in share price prior to the release of the financial results, we downgrade to **HOLD** with an unchanged TP of **RM0.925**. The target price is derived by ascribing a P/E of 14.0x to FY24f EPS of 6.6 sen. However, we have revised upwards the dividend payout ratio to 75% (from 60%), translating to DPS of 5.0-5.2 sen over the next two years.
- **Recommendation risks include** the potential non-renewal of any of the outsourcing services agreement, where in the event of a non-renewal of the agreement, it could have negative impact on the group's revenue. Besides, REXIT is vulnerable to the risks of security risks and system disruptions such as computer viruses, fraud, and power outages, which may potentially hinder the group's ability to deliver its products and services.

#### Results Note – 1QFY24

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#### HOLD

Share price	RM0.90
Target price	RM0.925
Previous TP	RM0.925
Capital upside	2.8%
Dividend return	5.6%
Total return	8.3%

#### Company profile

Principally focuses on delivering solutions and services to the General Insurance and Financial services industry.

#### Stock information

Bursa Code	0106
Bloomberg ticker	REXI MK
Listing market	ACE
Share issued (m)	173.2
Market Cap (m)	155.9
52W High/Low	0.96 / 0.72
Est. Free float (%)	19.4
Beta (x)	0.4
3-mth avg vol ('000)	54.9
Shariah compliant	No

#### Major shareholders

	%
Rexit Venture Sdn Bhd	41.2
Global Hartabumi Sdn Bhd	11.9
Kuah Hun Liang	10.7

#### Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	7.1	8.4	14.6
Relative	6.7	8.9	16.9

#### Earnings snapshot

FYE (Dec)	FY23	FY24f	FY25f
PATMI (m)	11.0	11.4	12.0
EPS (sen)	6.4	6.6	6.9
P/E (x)	12.3	11.8	11.3

#### Relative performance chart



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## Quarterly performance

FYE Jun (RM m)	1QFY23	4QFY23	1QFY24	QoQ (%)	YoY (%)
Revenue	6.5	7.2	7.0	(3.5)	6.6
EBITDA	3.6	4.6	3.9	(13.8)	8.9
PBT	3.3	4.4	3.8	(13.8)	13.4
PAT	2.4	3.7	2.8	(23.2)	16.0
Core PATMI	2.4	3.7	2.8	(23.2)	16.0
Reported PATMI	2.4	3.7	2.8	(23.2)	16.0
Core EPS (sen)	1.4	2.1	1.6	(23.2)	16.0
EBITDA margin (%)	55.5	63.4	56.6		
PBT margin (%)	51.2	61.0	54.4		
Core PATMI margin (%)	37.2	50.8	40.4		

## Financial Highlights

All items in (RM m) unless otherwise stated

### Income Statement

FYE Jun (RM m)	FY21	FY22	FY23	FY24f	FY25f
Revenue	24.6	24.9	26.7	28.1	29.5
EBITDA	13.8	14.8	15.6	16.2	16.9
EBIT	12.9	13.5	14.5	15.0	15.7
Net finance income/ (cost)	0.0	(0.0)	-	0.0	0.0
Associates & JV	-	-	-	-	-
Profit before tax	12.9	13.5	14.5	15.0	15.7
Tax	(2.9)	(3.3)	(3.5)	(3.6)	(3.8)
Net profit	10.0	10.3	11.0	11.4	12.0
Minority interest	-	-	-	-	-
Core earnings	10.0	10.3	11.0	11.4	12.0
Exceptional items	0.1	1.2	0.2	-	-
Reported earnings	9.9	9.1	10.9	11.4	12.0

### Cash Flow Statement

FYE Jun (RM m)	FY21	FY22	FY23	FY24f	FY25f
Profit before taxation	12.9	13.5	14.5	15.0	15.7
Depreciation & amortisation	0.9	1.2	1.1	1.1	1.2
Changes in working capital	5.1	(2.0)	0.1	(0.0)	(0.1)
Taxation	(2.9)	(3.3)	(3.5)	(3.6)	(3.8)
Others	(1.3)	(2.1)	(0.1)	3.5	0.0
Operating cash flow	14.7	7.4	12.1	16.0	13.1
Net capex	(2.1)	(1.0)	(2.0)	(2.0)	(2.0)
Others	0.8	8.6	(2.6)	-	-
Investing cash flow	(1.3)	7.6	(4.6)	(2.0)	(2.0)
Changes in borrowings	-	-	-	-	-
Issuance of shares	-	(0.8)	0.0	-	-
Dividends paid	(7.0)	(7.0)	(6.9)	(8.6)	(9.0)
Others	0.8	0.3	(0.0)	-	-
Financing cash flow	(6.1)	(7.5)	(6.9)	(8.6)	(9.0)
Net cash flow	7.3	7.4	0.6	5.5	2.1
Forex	(0.1)	(0.0)	0.9	-	-
Others	(0.8)	(1.2)	-	-	-
Beginning cash	14.3	20.7	26.9	27.5	32.9
Ending cash	20.7	26.9	27.5	32.9	35.0

### Balance Sheet

FYE Jun (RM m)	FY21	FY22	FY23	FY24f	FY25f
Cash	20.7	26.9	27.5	32.9	35.0
Receivables	1.9	4.3	4.2	4.2	4.4
Inventories	-	-	-	-	-
PPE	5.7	5.6	5.0	5.9	6.6
Others	20.9	12.8	18.2	18.2	18.2
Assets	49.1	49.6	54.8	61.2	64.3
Debts	2.7	2.5	2.9	-	-
Payables	1.8	2.1	2.1	2.1	2.2
Others	0.1	0.4	0.3	6.7	6.7
Liabilities	4.5	5.0	5.3	8.8	8.9
Shareholder's equity	44.6	44.6	49.6	52.4	55.4
Equity	44.6	44.6	49.6	52.4	55.4

### Valuation & Ratios

FYE Jun (RM m)	FY21	FY22	FY23	FY24f	FY25f
Core EPS (sen)	5.8	5.9	6.4	6.6	6.9
P/E (x)	13.5	13.2	12.3	11.8	11.3
EV/EBITDA (x)	190.2	177.5	168.2	162.2	154.9
DPS (sen)	4.0	4.0	4.0	5.0	5.2
Dividend yield	5.2%	5.2%	5.1%	6.3%	6.6%
BVPS (RM)	0.03	0.03	0.04	0.04	0.04
P/B (x)	59.4	59.4	53.5	50.5	47.8
EBITDA margin	56.0%	59.4%	58.3%	57.6%	57.5%
EBIT margin	52.2%	54.4%	54.2%	53.6%	53.3%
PBT margin	52.2%	54.4%	54.2%	53.6%	53.3%
Net margin	40.5%	41.2%	41.2%	40.7%	40.5%
ROE	23.4%	23.0%	23.4%	22.4%	22.2%
ROA	21.2%	20.8%	21.1%	19.7%	19.0%
Net gearing	CASH	CASH	CASH	CASH	CASH

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As of **Wednesday, 29 Nov, 2023**, the analyst(s), Loui Low Ley Yee, whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.

## Stock recommendation guide

<b>BUY</b>	The share price is expected to appreciate more than 10% over the next 12 months
<b>HOLD</b>	The stock price is expected to range between -10% and +10% over the next 12 months
<b>SELL</b>	The share price is expected to fall more than 10% over the next 12 months
<b>TRADING BUY</b>	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
<b>TRADING SELL</b>	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
<b>NOT RATED</b>	No recommendation is assigned



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