

## Rexit Bhd

### 1HFY24 Within Expectation

#### Summary

- Within expectation.** In 2Q24, REXIT recorded a core PAT of RM3.7m, increased 29.7% QoQ and 33.7% YoY, respectively, bringing the 1HFY24 core PAT to RM6.5m. The core PAT was adjusted for the one-off hardware, system software sales, coupled with the contribution from other income. The core 1H24 earnings came in within our expectation, accounting to 56.6% of the earnings forecast of RM11.4m as we believe the earnings may normalise in 2H24.
- QoQ/YoY.** Core net profit increased 29.7% and 33.7% from RM2.8m and RM2.7m, respectively to RM3.7m, attributed to higher distribution income from long term investment in quoted funds. YoY, we noticed administrative expenses were lower at RM1.4m as compared to 2QFY23 at RM1.6m.
- YTD.** For the 1HFY24, core net profit rose 25.4% YoY to RM6.5m, in tandem with the increase in revenue by 21.9%. The higher distribution income from long term investment in quoted funds and lower admin expenses were the main contributor to the higher core net profit on the YTD basis.
- Outlook.** We believe the administrative expenses will stabilize around this level. Meanwhile, the higher revenue for the hardware, systems software sales and software sales and services may not recur in the next few quarters. Also, to recap, the emergence of new shareholder via DBT on 17-Jan-2024 has triggered an unconditional mandatory take-over, where the Joint Offerors will offer RM0.85 per share to acquire the remaining REXIT shares. Also, the Joint Offerors intend to maintain the listing status of REXIT.
- Net cash position.** As at 1HFY24, REXIT's net cash position stood at RM27.2m (18.0% of the market cap), translating to a net cash per share of 15.7 sen. Its net cash position will be comfortable to support its capex required for any future expansion.

#### Valuation & Recommendation

- Maintained forecast.** Given the core PATMI came in within expectations, we kept the earnings unchanged for FY24f-25f.
- Maintained SELL.** We maintained SELL despite the share price has dipped below RM0.90 after we recommended a SELL on REXIT at RM1.05 following the announcement of the mandatory take-over offer in Jan-24. We opine that the current share price is still trading at a premium towards the offer price of RM0.85, and it represents an opportunity for the shareholders to take profit in view of potential uncertainties surrounding REXIT's long term outlook after the departure of the previous shareholders. In terms of P/B ratio, the offer price of RM0.85 indicates a P/B of 3.0x.
- Fair value or TP stood at RM0.945.** Our fair value or TP for REXIT stood at **RM0.945** (upside of 5.6% and 11.1% from last price of RM0.895 and offer price of RM0.85 respectively). The fair value is derived by ascribing a 14.0x P/E pegged to FY24f EPS of 6.9 sen. Also, we assumed a payout ratio of 60.0% of its distributable income from FY24-25f, translating to dividend per share of 4.5-4.7 sen.

#### Results Note – 2QFY24

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#### SELL

Share price	RM0.895
Target price	RM0.945
Previous TP	RM0.925
Capital upside	5.6%
Dividend return	5.0%
Total return	10.6%

#### 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)	155.0
52W High/Low	1.2 / 0.74
Est. Free float (%)	49.3
Beta (x)	0.0
3-mth avg vol ('000)	541.4
Shariah compliant	No

#### Major shareholders

Seow Gim Sh	23.3
Metaco Asset Holdings	18.0
Bemas Holdings Sdn Bhd	11.9

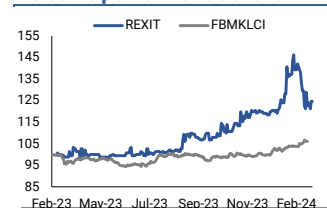
#### Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	-8.7	0.6	17.8
Relative	-11.9	-5.3	11.6

#### 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)	14.1	13.6	13.0

#### Relative performance chart



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Quarterly performance									
FYE Jun (RM m)	2QFY23	1QFY24	2QFY24	QoQ (%)	YoY (%)	1HFY23	1HFY24	YoY (%)	
Revenue	6.8	7.0	9.3	34.1	36.5	13.4	16.3	21.9	
EBITDA	4.0	3.9	5.4	37.6	36.8	7.6	9.4	23.5	
PBT	3.7	3.8	5.3	39.4	42.0	7.1	9.1	28.4	
PAT	2.7	2.8	3.7	29.7	33.7	5.2	6.5	25.4	
Core PATMI	2.7	2.8	3.7	29.7	33.7	5.2	6.5	25.4	
Reported PATMI	2.7	2.8	4.0	42.5	47.4	5.2	6.8	32.6	
Core EPS (sen)	1.6	1.6	2.3	42.5	47.4	3.0	3.9	32.6	
EBITDA margin (%)	58.0	56.6	58.1			56.7	57.5		
PBT margin (%)	54.4	54.4	56.6			52.8	55.7		
Core PATMI margin (%)	39.9	40.4	39.1			38.6	39.7		

Source: Malacca Securities

## Financial Highlights

All items in (RM m) unless otherwise stated

Income Statement						Balance Sheet					
FYE Jun (RM m)	FY21	FY22	FY23	FY24f	FY25f	FYE Jun (RM m)	FY21	FY22	FY23	FY24f	FY25f
Revenue	24.6	24.9	26.7	28.1	29.5	Cash	20.7	26.9	27.5	32.9	35.0
EBITDA	13.8	14.8	15.6	16.2	16.9	Receivables	1.9	4.3	4.2	4.2	4.4
EBIT	12.9	13.5	14.5	15.0	15.7	Inventories	-	-	-	-	-
Net finance income/ (cost)	0.0	(0.0)	-	0.0	0.0	PPE	5.7	5.6	5.0	5.9	6.6
Associates & JV	-	-	-	-	-	Others	20.9	12.8	18.2	18.2	18.2
Profit before tax	12.9	13.5	14.5	15.0	15.7	Assets	49.1	49.6	54.8	61.2	64.3
Tax	(2.9)	(3.3)	(3.5)	(3.6)	(3.8)	Debits	2.7	2.5	2.9	-	-
Net profit	10.0	10.3	11.0	11.4	12.0	Payables	1.8	2.1	2.1	2.1	2.2
Minority interest	-	-	-	-	-	Others	0.1	0.4	0.3	6.7	6.7
Core earnings	10.0	10.3	11.0	11.4	12.0	Liabilities	4.5	5.0	5.3	8.8	8.9
Exceptional items	0.1	1.2	0.2	-	-	Shareholder's equity	44.6	44.6	49.6	52.4	55.4
Reported earnings	9.9	9.1	10.9	11.4	12.0	Equity	44.6	44.6	49.6	52.4	55.4
Cash Flow Statement						Valuation & Ratios					
FYE Jun (RM m)	FY21	FY22	FY23	FY24f	FY25f	FYE Jun (RM m)	FY21	FY22	FY23	FY24f	FY25f
Profit before taxation	12.9	13.5	14.5	15.0	15.7	Core EPS (sen)	5.8	5.9	6.4	6.6	6.9
Depreciation & amortisation	0.9	1.2	1.1	1.1	1.2	P/E (x)	15.5	15.1	14.1	13.6	13.0
Changes in working capital	5.1	(2.0)	0.1	(0.0)	(0.1)	EV/EBITDA (x)	9.3	8.7	8.2	8.0	7.6
Taxation	(2.9)	(3.3)	(3.5)	(3.6)	(3.8)	DPS (sen)	4.0	4.0	4.0	5.0	5.2
Others	(1.3)	(2.1)	(0.1)	3.5	(0.0)	Dividend yield	4.5%	4.5%	4.5%	5.5%	5.8%
Operating cash flow	14.7	7.4	12.1	16.0	13.1	BVPS (RM)	0.26	0.26	0.29	0.30	0.32
Net capex	(2.1)	(1.0)	(2.0)	(2.0)	(2.0)	P/B (x)	3.5	3.5	3.1	3.0	2.8
Others	0.8	8.6	(2.6)	-	-	EBITDA margin	56.0%	59.4%	58.3%	57.6%	57.5%
Investing cash flow	(1.3)	7.6	(4.6)	(2.0)	(2.0)	EBIT margin	52.2%	54.4%	54.2%	53.6%	53.3%
Changes in borrowings	-	-	-	-	-	PBT margin	52.2%	54.4%	54.2%	53.6%	53.3%
Issuance of shares	-	(0.8)	0.0	-	-	Net margin	40.5%	41.2%	41.2%	40.7%	40.5%
Dividends paid	(7.0)	(7.0)	(6.9)	(8.6)	(9.0)	ROE	23.4%	23.0%	23.4%	22.4%	22.2%
Others	0.8	0.3	(0.0)	-	-	ROA	21.2%	20.8%	21.1%	19.7%	19.0%
Financing cash flow	(6.1)	(7.5)	(6.9)	(8.6)	(9.0)	Net gearing	CASH	CASH	CASH	CASH	CASH
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						

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As of Friday, 23 Feb, 2024, 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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