

Rexit Bhd

New Management On Board

Summary

- **Recap.** For 3Q24, REXIT recorded a core PAT of RM3.4m, declined 14.5% QoQ, but jumping 57.0% YoY, bringing the 9MFY24 core PAT to RM10.3m. The core earnings were above our expectations, accounting for 89.7% of our earnings forecast of RM11.4m and 87.7% of consensus estimates.
- **Net cash position...** We like REXIT's balance sheet with zero borrowings, resulting in its solid net cash position. As at 9MFY24, REXIT's net cash position stood at RM28.2m, translating to a net cash per share of 16.3 sen, this may allow more rewards in terms of dividend and capex going forward.
- **...with solid dividend track record.** Over the past 10 years, REXIT has been rewarding its shareholders with growing dividends in the range of 1.5-5 sen of dividends, providing at least 4-5% dividend yield per annum. We believe this trend may continue even with the emergence of the new management.
- **Outlook.** Overall business operations remain as usual for now, and we expect the growth of revenue and earnings to be maintained. Additionally, the PAT margins should remain above 40% as the PAT margins for 9M24 stood at 41.6%. Although we are awaiting guidance from the new management, we are positive that REXIT will be able to generate decent and stable growth after the appointment of Mr Wong Tack Heng (a seasoned professional with solid experience in spearheading technology initiatives across various industries) as COO and Datuk Seow Gim Shen (who has strong experience in leading local and Nasdaq-listed companies) as CEO.

Valuation & Recommendation

- **Forecast.** Unchanged, with the earnings forecast remained at RM13.1m-14.4m for FY24f-25f.
- **Upgrade to BUY with unchanged TP of RM1.16.** Since the share price has retraced to RM0.94, we upgrade from Hold to Buy with a TP of RM1.16. The TP of RM1.16 is derived by ascribing a P/E of 14.0x to FY25f EPS of 8.3sen. Also, we assumed a payout ratio of 70.0% of its distributable income from FY24-25f, translating to dividend per share of 5.3-5.8 sen.

Company Update Note

Loui Low

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BUY (from Hold)

Share price	RM0.94
Target price	RM1.16
Previous TP	RM0.945
Capital upside	23.4%
Dividend return	5.6%
Total return	29.0%

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)	181.9
52W High/Low	1.48 / 0.765
Est. Free float (%)	49.3
Beta (x)	0.7
3-mth avg vol ('000)	852.0
Shariah compliant	No

Major shareholders

Seow Gim Shen	23.3%
Metaco Asset Holdings	18.0%
Bemas Holdings Sdn Bhd	11.9%

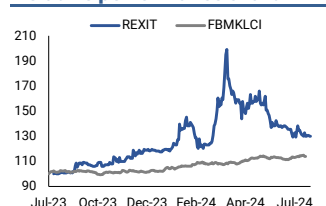
Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	7.1	-5.4	37.3
Relative	-6.0	-18.5	7.1

Earnings snapshot

FYE (Dec)	FY23	FY24f	FY25f
PAT (RM'm)	11.0	13.1	14.4
EPS (sen)	6.4	7.6	8.3
P/E (x)	14.8	12.4	11.3

Relative performance chart



Tuesday, 23 Jul, 2024

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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	32.1	35.3
EBITDA	13.8	14.8	15.6	18.4	20.1
EBIT	12.9	13.5	14.5	17.2	18.9
Net finance income/ (cost)	0.0	(0.0)	-	0.0	0.0
Associates & JV	-	-	-	-	-
Profit before tax	12.9	13.5	14.5	17.2	18.9
Tax	(2.9)	(3.3)	(3.5)	(4.1)	(4.5)
Net profit	10.0	10.3	11.0	13.1	14.4
Minority interest	-	-	-	-	-
Core earnings	10.0	10.3	11.0	13.1	14.4
Exceptional items	0.1	1.2	0.2	-	-
Reported earnings	9.9	9.1	10.9	13.1	14.4

Cash Flow Statement					
FYE Jun (RM m)	FY21	FY22	FY23	FY24f	FY25f
Profit before taxation	12.9	13.5	14.5	17.2	18.9
Depreciation & amortisation	0.9	1.2	1.1	1.1	1.2
Changes in working capital	5.1	(2.0)	0.1	(0.3)	(0.2)
Taxation	(2.9)	(3.3)	(3.5)	(4.1)	(4.5)
Others	(1.3)	(2.1)	(0.1)	3.5	-
Operating cash flow	14.7	7.4	12.1	17.4	15.3
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)	(9.2)	(10.1)
Others	0.8	0.3	(0.0)	-	-
Financing cash flow	(6.1)	(7.5)	(6.9)	(9.2)	(10.1)
Net cash flow	7.3	7.4	0.6	6.2	3.3
Forex	(0.1)	(0.0)	0.9	-	-
Others	(0.8)	(1.2)	-	-	-
Beginning cash	14.3	20.7	26.9	27.5	33.7
Ending cash	20.7	26.9	27.5	33.7	37.0

Source: M+ Research

Balance Sheet					
FYE Jun (RM m)	FY21	FY22	FY23	FY24f	FY25f
Cash	20.7	26.9	27.5	33.7	37.0
Receivables	1.9	4.3	4.2	4.8	5.3
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	62.6	67.1
Debts	2.7	2.5	2.9	-	-
Payables	1.8	2.1	2.1	2.4	2.7
Others	0.1	0.4	0.3	6.7	6.7
Liabilities	4.5	5.0	5.3	9.1	9.3
Shareholder's equity	44.6	44.6	49.6	53.5	57.8
Equity	44.6	44.6	49.6	53.5	57.8

Valuation & Ratios					
FYE Jun (RM m)	FY21	FY22	FY23	FY24f	FY25f
Core EPS (sen)	5.8	5.9	6.4	7.6	8.3
P/E (x)	16.3	15.9	14.8	12.4	11.3
EV/EBITDA (x)	190.2	177.5	168.2	142.9	130.5
DPS (sen)	4.0	4.0	4.0	5.3	5.8
Dividend yield	4.3%	4.3%	4.3%	5.6%	6.2%
BVPS (RM)	0.03	0.03	0.04	0.04	0.04
P/B (x)	59.4	59.4	53.5	49.5	45.8
EBITDA margin	56.0%	59.4%	58.3%	57.2%	57.0%
EBIT margin	52.2%	54.4%	54.2%	53.7%	53.5%
PBT margin	52.2%	54.4%	54.2%	53.7%	53.5%
Net margin	40.5%	41.2%	41.2%	40.8%	40.7%
ROE	23.4%	23.0%	23.4%	25.4%	25.8%
ROA	21.2%	20.8%	21.1%	22.3%	22.1%
Net gearing	CASH	CASH	CASH	CASH	CASH

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As of **Tuesday, 23 Jul, 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

BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	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
TRADING SELL	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
NOT RATED	No recommendation is assigned



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