

# Stock Digest

Wednesday, 23 Aug, 2023

## Rexit Bhd

### Ended FY23 above expectation

#### Summary

- **Above expectations.** In 4Q23, REXIT recorded a core net profit RM3.6m, rising 64.1% QoQ and 47.8% YoY, respectively, which brought FY23's sum to RM10.9m. This came in above expectation at 109.5% vs. our forecast of RM9.9m. The positive deviation was due to higher-than-expected software customisation services and other income, coupled with lower-than-expected administration expenses.
- **QoQ.** Core net profit jumped 64.1% from RM2.2m, thanks to higher contribution from the software customisation services.
- **YoY.** Core net profits increased 47.8% from RM2.4m, supported by the above factor as well as significantly lower administrative expenses, which has reduced 36% YoY to RM1.4m.
- **YTD.** On the full year basis, core PATMI rose 13.9% to RM10.9m on the back of higher contribution from the software customisation services and the lower administrative expenses.
- **Outlook.** Given the administrative expenses in 2H22 was driven by (i) unrealised loss on the net fair value loss on investment in the money market funds and (ii) higher depreciation charges arising from the new data centre's computer equipment which were acquired in 4Q21, we believe the administrative expenses may continue to stabilised around these levels.
- **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.

Quarterly performance								
FYE Jun (RM m)	4QFY22	3QFY23	4QFY23	QoQ (%)	YoY (%)	FY22	FY23	YoY (%)
Revenue	6.3	6.1	7.2	17.5	15.5	24.9	26.7	7.5
EBITDA	3.1	3.2	4.5	40.8	43.6	13.7	15.2	11.1
PBT	2.4	3.0	4.3	42.7	77.9	12.2	14.3	17.9
PAT	2.4	2.2	3.6	64.1	47.8	9.5	10.9	13.9
Core PATMI	2.4	2.2	3.6	64.1	47.8	9.5	10.9	13.9
Reported PATMI	2.4	2.2	3.7	67.9	50.0	9.5	11.0	16.5
Core EPS (sen)	1.4	1.3	2.1	67.9	50.0	5.5	6.4	16.5
EBITDA margin (%)	50.1	52.0	62.3			55.0	56.9	
PBT margin (%)	38.8	49.3	59.8			48.9	53.6	
Core PATMI margin (%)	38.8	35.6	49.7			38.3	40.6	

#### Valuation & Recommendation

- With REXIT's core net profit came in above expectation, we raise our forecasted earnings from RM10.3m and RM10.6m to RM11.4m and RM12.0m, respectively for FY24-25f, respectively. The forecasted earnings consider higher contributions from existing customers with more revenue generated from software customisation services, as well as the new source of revenue from the customers who are

#### Results note

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#### BUY

Share price	RM0.78
Target price	RM0.925
Previous TP	RM0.83
Capital upside	18.6%
Dividend return	5.1%
Total return	23.7%

#### 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)	135.1
52W High/Low	0.81 / 0.72
Est. Free float	19.5
Beta	-
3-mth avg vol ('000)	14.7
Shariah	No
compliant	

#### Major shareholders

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

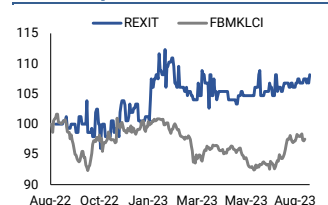
#### Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	2.0	3.3	2.6
Relative	-0.7	0.5	4.8

#### 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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expected to be on board going forward.

- We maintain **BUY** recommendation on REXIT, with a target price of RM0.925 (upside of 18.6%). The target price is derived by ascribing a P/E of 14.0x to FY24f EPS of 6.6 sen. Also, we assumed a payout of 4.0-4.1 sen per share over the next two years, representing a payout ratio of 60.0% of its distributable income from FY24-FY25f.
- Risks to our recommendation include the potential non-renewal of the mySalam Outsourcing Services Agreement. In the event of a non-renewal of the agreement, it could have a detrimental effect 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.

## Financial Highlights

*All items in (RM m) unless otherwise stated*

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	34.7	38.6
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
<b>Profit before tax</b>	<b>12.9</b>	<b>13.5</b>	<b>14.5</b>	<b>15.0</b>	<b>15.7</b>	<b>Assets</b>	<b>49.1</b>	<b>49.6</b>	<b>54.8</b>	<b>62.9</b>	<b>67.8</b>
Tax	(2.9)	(3.3)	(3.5)	(3.6)	(3.8)	Debits	2.7	2.5	2.9	-	-
<b>Net profit</b>	<b>10.0</b>	<b>10.3</b>	<b>11.0</b>	<b>11.4</b>	<b>12.0</b>	Payables	1.8	2.1	2.1	2.1	2.2
Minority interest	-	-	-	-	-	Others	0.1	0.4	0.3	6.7	6.7
<b>Core earnings</b>	<b>10.0</b>	<b>10.3</b>	<b>11.0</b>	<b>11.4</b>	<b>12.0</b>	<b>Liabilities</b>	<b>4.5</b>	<b>5.0</b>	<b>5.3</b>	<b>8.8</b>	<b>8.9</b>
Exceptional items	0.1	1.2	0.2	-	-	Shareholder's equity	44.6	44.6	49.6	54.2	58.9
<b>Reported earnings</b>	<b>9.9</b>	<b>9.1</b>	<b>10.9</b>	<b>11.4</b>	<b>12.0</b>	<b>Equity</b>	<b>44.6</b>	<b>44.6</b>	<b>49.6</b>	<b>54.2</b>	<b>58.9</b>
<b>Cash Flow Statement</b>						<b>Valuation &amp; Ratios</b>					
<b>FYE Jun (RM m)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24f</b>	<b>FY25f</b>	<b>FYE Jun (RM m)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24f</b>	<b>FY25f</b>
Profit before taxation	12.9	13.5	14.5	15.0	15.7	<b>Core EPS (sen)</b>	<b>5.8</b>	<b>5.9</b>	<b>6.4</b>	<b>6.6</b>	<b>6.9</b>
Depreciation & amortisation	0.9	1.2	1.1	1.1	1.2	P/E (x)	13.5	13.2	12.3	11.8	11.3
Changes in working capital	5.1	(2.0)	0.1	(0.0)	(0.1)	EV/EBITDA (x)	190.2	177.5	168.2	162.2	154.9
Taxation	(2.9)	(3.3)	(3.5)	(3.6)	(3.8)	DPS (sen)	4.0	4.0	4.0	4.0	4.1
Others	(1.3)	(2.1)	(0.1)	3.5	0.0	Dividend yield	5.2%	5.2%	5.1%	5.1%	5.3%
<b>Operating cash flow</b>	<b>14.7</b>	<b>7.4</b>	<b>12.1</b>	<b>16.0</b>	<b>13.1</b>	BVPS (RM)	0.03	0.03	0.04	0.04	0.05
Net capex	(2.1)	(1.0)	(2.0)	(2.0)	(2.0)	P/B (x)	59.4	59.4	53.5	48.9	45.0
Others	0.8	8.6	(2.6)	-	-	EBITDA margin	56.0%	59.4%	58.3%	57.6%	57.5%
<b>Investing cash flow</b>	<b>(1.3)</b>	<b>7.6</b>	<b>(4.6)</b>	<b>(2.0)</b>	<b>(2.0)</b>	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)	(6.9)	(7.2)	ROE	23.4%	23.0%	23.4%	22.0%	21.1%
Others	0.8	0.3	(0.0)	-	-	ROA	21.2%	20.8%	21.1%	19.4%	18.3%
<b>Financing cash flow</b>	<b>(6.1)</b>	<b>(7.5)</b>	<b>(6.9)</b>	<b>(6.9)</b>	<b>(7.2)</b>	<b>Net gearing</b>	<b>CASH</b>	<b>CASH</b>	<b>CASH</b>	<b>CASH</b>	<b>CASH</b>
Net cash flow	7.3	7.4	0.6	7.2	3.9						
Forex	(0.1)	(0.0)	0.9	-	-						
Others	(0.8)	(1.2)	-	-	-						
Beginning cash	14.3	20.7	26.9	27.5	34.7						
<b>Ending cash</b>	<b>20.7</b>	<b>26.9</b>	<b>27.5</b>	<b>34.7</b>	<b>38.6</b>						

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As of **Wednesday, 23 Aug, 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.

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## Stock recommendation guide

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<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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