

09 December 2021

# Scientex Berhad

## 1QFY22 within Expectation

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1QFY22 CNP of RM112.7m came in within both our and consensus estimates at 22% each. No dividend as expected. QoQ, CNP was lower due to lower progress billings from its property segment. We maintain our FY22E/FY23E earnings estimates. Maintain MP with unchanged SoP-TP of RM4.42.

**1QFY22 results within expectation.** 1QFY22 CNP of RM112.7m came within expectation at 22% each of both our and street's full-year estimates. No dividend as expected for 1QFY22.

**YoY**, revenue was up by 15.7% mainly driven by higher sales for both its property and manufacturing segments. The revenue of property segment was up due to the strong progress billings and good take-up rate for new launches worth RM131m at Tasek Gelugor, Penang and Pulau, Johor. Group EBIT rose 5.1%, mainly lifted by property EBIT (18%) although manufacturing EBIT declined by 6%. The decline in the plastic manufacturing segment is mainly due to higher production costs and Covid-19 related expenses. The group recorded CNP of RM112.7m with a lower effective tax rate of 17% (vs 1QFY21: 22%).

**QoQ**, revenue dipped 4.3% on lower property revenue (-29%) due to lower progress billings from its ongoing project and a limited 60% workforce capacity. Group EBIT declined 24.2% due to higher operational costs from the property segment (-42%). Despite the higher raw material cost and production disruption, the manufacturing EBIT rose 13% due to a better product mix. All in, CNP declined by 19% to RM112.7m.

**Moving forward**, the group will continue to target the affordable housing segment and has earmarked RM2b worth of launches for FY22, while its unbilled sales of RM965m provide less than one year's visibility. For its manufacturing segment, we believe that SCIENTX will continue to focus on ramping up its utilization rate and capacity expansion. However, we remain cautious of its converting business due to higher raw material costs and freight costs dragging margins. We continue to expect growth for SCIENTX on the back of: (i) strong progress billing in its property segment, and (ii) better product mix in its plastic manufacturing segment.

**Post results.** No changes to FY22E/FY23E earnings.

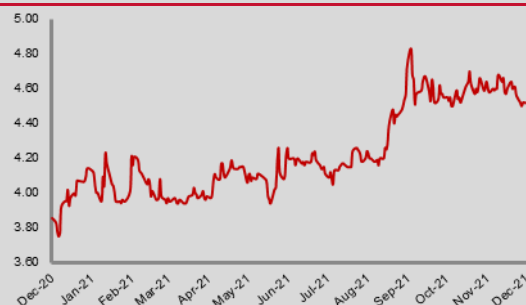
**Maintain MARKET PERFORM with unchanged SoP-derived TP of RM4.42** based on FY22 earnings estimates. We maintain our ascribed 14.3x PER for the plastic manufacturing segment and 13x PER for the property segment.

**Risks to our call include:** (i) higher-than-expected resin cost, (ii) weaker product demand, (iii) weaker-than-expected property sales, and (iv) foreign currency risk.

## MARKET PERFORM ↔

Price : **RM4.58**  
Target Price : **RM4.42** ↔

### Share Price Performance



KLCI	1,494.03
YTD KLCI chg	-8.2%
YTD stock price chg	8.4%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SCI MK Equity
Market Cap (RM m)	7,103.5
Shares Outstanding	1,551.0
52-week range (H)	4.87
52-week range (L)	3.81
3-mth avg daily vol:	531,405
Free Float	33%
Beta	0.7

### Major Shareholders

Scientex Holdings Sdn	21.0%
Scientex Infinity Sdn	9.2%
Scientex Leasing Sdn	9.1%

### Summary Earnings Table

FYE Jul (RM m)	2021A	2022E	2023E
Turnover	3656.0	4258.4	4701.3
EBIT	600.3	703.3	790.1
PBT	601.0	668.1	762.2
<b>Net Profit (NP)</b>	457.2	501.4	579.3
<b>Core NP*</b>	443.8	501.4	579.3
Consensus (NP)	N/A	517.0	596.0
Earnings Revision	N/A	N/A	N/A
Core EPS (sen)	28.6	32.3	37.4
Core EPS growth (%)	8.9	13.0	15.5
NDPS (sen)	9.0	9.7	11.2
BVPS (RM)	1.87	2.09	2.35
Core PER (x)	16.0	14.2	12.3
PBV (x)	2.5	2.2	2.0
Net Gearing (x)	0.30	0.35	0.18
Net Div. Yield (%)	2.0	2.1	2.4



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<b>FYE July (RM m)</b>	<b>1Q FY22</b>	<b>4Q FY21</b>	<b>QoQ Chg</b>	<b>1Q FY21</b>	<b>YoY Chg</b>
Turnover	928.2	970.4	-4%	802.3	16%
EBIT	133.2	175.8	-24%	126.8	5%
Interest income	1.5	2.2	-30%	3.6	-57%
Finance costs	-4.3	-3.5	23%	-	90%
<b>PBT</b>	<b>130.4</b>	<b>174.5</b>	<b>-25%</b>	<b>128.0</b>	<b>2%</b>
Taxation	-22.2	-26.3	-16%	-	-21%
Net Profit	108.2	148.2	-27%	99.9	8%
Minority interest	0.8	5.6	-86%	7.4	-89%
<b>PATAMI</b>	<b>107.4</b>	<b>142.7</b>	<b>-25%</b>	<b>92.5</b>	<b>16%</b>
<b>Core PATAMI</b>	<b>112.7</b>	<b>139.0</b>	<b>-19%</b>	<b>92.2</b>	<b>22%</b>
Core EPS (sen)	7.3	9.0		5.9	
NDPS (sen)	0	5		0	
EBIT margin	14.4%	18.1%		15.8%	
PBT margin	14.1%	18.0%		16.0%	
Core PATAMI margin	12.1%	14.3%		11.5%	
Effective tax rate	17.0%	15.1%		22.0%	

<b>FYE July (RM m)</b>	<b>1Q FY22</b>	<b>4Q FY21</b>	<b>QoQ Chg</b>	<b>1Q FY21</b>	<b>YoY Chg</b>
<b>Turnover</b>					
Manufacturing	678.1	617.4	10%	583.8	16%
Property	250.1	352.9	-29%	218.4	14%
<b>Group Turnover</b>	<b>928.2</b>	<b>970.4</b>	<b>-4%</b>	<b>802.3</b>	<b>16%</b>
<b>Segment Results</b>					
Manufacturing	64.7	57.4	13%	68.6	-6%
Property	68.5	118.4	-42%	58.2	18%
<b>Group EBIT</b>	<b>133.2</b>	<b>175.8</b>	<b>-24%</b>	<b>126.8</b>	<b>5%</b>
<b>EBIT Margin</b>					
Manufacturing	9.5%	9.3%		11.7%	
Property	27.4%	33.5%		26.6%	
<b>Group EBIT Margin</b>	<b>14.4%</b>	<b>18.1%</b>		<b>15.8%</b>	

<b>SoP Valuations</b>			
<b>Segment</b>	<b>Fair Value (RM m)</b>	<b>PER (x)</b>	<b>Net Income (RM'm)</b>
Property	3,194	13	245.7
Manufacturing	3,657	14.3	255.7
<b>Sum-of-Parts (RM m)</b>	<b>6,851.2</b>		<b>501.4</b>
<b>No. of Shares (m)</b>	<b>1550.6</b>		
<b>Target Price (RM)</b>	<b>4.42</b>		

Source: Company, Kenanga Research

Peer Comparison

Name	Last Price	Market	Shariah	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div. Yld. (%)	Target	Rating
	(RM)	Cap (RM'm)	Compliant	FYE	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	Price (RM)	
<b>STOCKS UNDER COVERAGE</b>																	
BP PLASTIC HOLDING BHD	2.57	482.3	Y	12/2021	39.8%	10.0%	56.4%	15.0%	16.4	10.5	9.1	2.3	2.1	21.0%	4.3%	3.34	OP
SCGM BHD	2.64	508.4	Y	04/2022	18.5%	12.6%	13.5%	6.0%	14.9	13.1	12.4	2.7	2.4	19.2%	3.0%	2.97	OP
SCIENTEX BHD	4.58	7,103.5	Y	07/2022	16.5%	10.4%	13.0%	15.5%	16.0	14.2	12.3	2.5	2.2	16.4%	2.1%	4.42	MP
SLP RESOURCES BHD	0.930	294.8	Y	12/2021	15.5%	9.1%	20.5%	16.0%	18.3	15.2	13.1	1.6	1.6	10.6%	5.9%	1.18	OP
THONG GUAN INDUSTRIES BHD	2.74	1,052.4	Y	12/2021	19.6%	6.6%	25.0%	5.5%	13.7	11.0	10.4	1.6	1.4	14.2%	1.6%	3.68	OP
TOMYPAK HOLDINGS	0.500	215.6	Y	12/2021	6.9%	4.7%	-460.0%	733.3%	2,155.5	N.A.	71.9	1.2	1.1	-0.2%	0.0%	0.485	MP
<b>Simple Average</b>					<b>19.5%</b>	<b>8.9%</b>	<b>-55.3%</b>	<b>131.9%</b>	<b>372.5</b>	<b>12.8</b>	<b>21.5</b>	<b>2.0</b>	<b>1.8</b>	<b>13.5%</b>	<b>2.83%</b>		

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:

**Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%  
 MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%  
 UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%  
 NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%  
 UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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