

Scientex Berhad (SCI MK)

Inline

BUY

Share Price RM3.40
Target Price RM3.88 +14.1%

Robust Delivery from Property Segment

• **Overview.** Scientex Berhad (Scientex) 1Q23 core net profit and revenue tanked by 14% QoQ and 7.3% QoQ, no thanks to lower endowment from both its Packaging and Property segments. It was a contrast however for YoY basis following core net profit that surged by 25.1% thanks to strong demand from new launches and hence, Property segment (+26.3% YoY) which partially offset the decline in Packaging segment (-12% YoY). The jump in YoY revenue was also attributable to encouraging sales from consumer packaging products (Packaging: +5.6% YoY) and favourable take up rate from new launches (Property: +25.5% YoY).

• **Key highlights.** Margin compression from Packaging segment was the result of a spike in operating cost as well as subdued demand from industrial packaging products due to cautious global trade sentiments which pushed margin to drop by 1.6ppts YoY. Nevertheless, consumer packaging segment saw an encouraging demand from South-east Asia and Oceania. Apart from that, sturdy performance by Property segment was spurred by its development in Taman Pulai Mutiara 1 & 2, Johor and Scientex Jasin as well as Scientex Bandar Jasin, Melaka, lifted among others, by better progress billing.

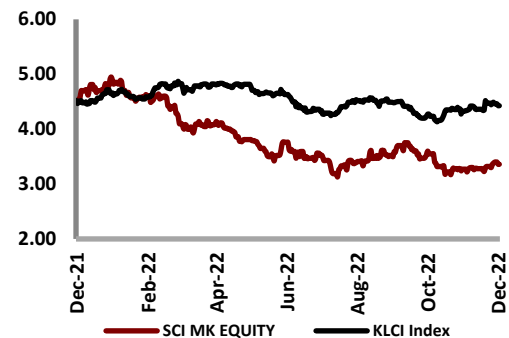
• **Against estimates: Inline.** 1Q23 core PATAMI of RM112.7mn came in line with our and consensus estimates, making up 22.2% and 22.9% of full-year forecast.

• **Outlook.** Moving forward, Scientex is committed to take effective measures to mitigate the impact of global uncertainties, elevated operating costs as well as high construction costs. The Group's growth trajectory is set to be driven by resilient demand for its diversified products on top of commendable take-up rate for its housing projects. We project the Group's margin to improve by c.11-12% for FY23-25F, to be driven among others, by the easing in raw materials prices consistent with stable resin price and building material costs in recent months. All in all, we like Scientex due to its: i) organic expansion and M&A activities which may drive long-term growth, ii) steady position as affordable housing developer, and iii) high commitment on sustainability and environment.

• **Earnings revision.** No change to our FY23F-FY25F earnings forecast.

• **Our call.** Maintain a BUY call on Scientex with an unchanged target price of RM3.88, derived based on sum-of-parts (SOP) valuation.

Price Chart (RM)



Share Performance (%)	1m	3m	12m
Absolute	5.6	(7.1)	(24.1)
vs FBM KLCI	3.8	(5.3)	(24.3)

Stock Data

Mkt Cap (RM m)	5,273.6
Free float (%)	59.9
Issued shares (m)	1551.1
52w H/L (RM)	5 / 3.02
3m avg daily volume	411,431

Major Shareholders (%)

Scientex Holdings Sdn Bhd	21.0
Scientex Infinity Sdn Bhd	10.0
Scientex Leasing Sdn Bhd	9.1

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Table 1: Quarterly figures

Scientex Berhad FYE 31 July (RM'mn)	Quarterly			Change (%)		Cumulative		YTD	BIMB	
	1QFY22	4QFY22	1QFY23	QoQ Chg	YoY Chg	3MFY22	3MFY23	YTD Chg	BIMB	3M/F
Revenue	928.2	1111.3	1029.9	-7.3%	11.0%	928.2	1029.9	11.0%	4747.	21.7%
EBITDA	148.3	206.9	173.7	-16.1%	17.1%	148.3	173.7	17.1%	842.2	20.6%
Pretax profit	130.4	173.6	136.7	-21.2%	4.8%	130.4	136.7	4.8%	711.3	19.2%
Taxation	-22.2	-42.7	-23.3	-45.5%	4.8%	-22.2	-23.3	4.8%	-170.7	13.6%
Core Net Profit	90.1	131.0	112.7	-14.0%	25.1%	90.1	112.7	25.1%	508.5	22.2%
Core EPS (sen)	5.8	8.4	7.3	-14.0%	25.1%	5.8	7.3	25.1%	32.8	22.2%
				chg (ppts)				ppts		
EBITDA margin (%)	16.0%	18.6%	16.9%	-1.8	0.9	16.0%	16.9%	0.9	24.0%	
PBT margin (%)	14.1%	15.6%	13.3%	-2.3	-0.8	14.1%	13.3%	-0.8	17.7%	
Core Net profit margin (%)	9.7%	11.8%	10.9%	-0.8	1.2	9.7%	10.9%	1.2	15.2%	
Effective tax rate (%)	17.0%	24.6%	17.0%	-7.6	0.0	17.0%	17.0%	0.0	238.3	

Source: BIMB Securities, Company

Table 2: Segmental breakdown

Scientex Berhad FYE 31 July (RM'mn)	Quarterly			Change (%)		Cumulative		YTD
	1QFY22	4QFY22	1QFY23	QoQ Chg	YoY Chg	3MFY22	3MFY23	YTD Chg
Revenue	928.3	1111.3	1029.8	-7.3%	10.9%	928.3	1029.8	10.9%
Packaging	678.1	740.8	716.0	-3.4%	5.6%	678.1	716.0	5.6%
Property	250.1	370.5	313.9	-15.3%	25.5%	250.1	313.9	25.5%
Operating Profit	133.3	178.8	143.3	-19.8%	7.5%	133.3	143.3	7.5%
Packaging	64.7	62.6	57.0	-9.0%	-12.0%	64.7	57.0	-12.0%
Property	68.5	116.0	86.5	-25.5%	26.3%	68.5	86.5	26.3%
				chg (ppts)				chg (ppts)
Operating Margin (%)	14.4%	16.1%	13.9%	-2.2	-0.4	14.4%	13.9%	-0.4
Packaging (%)	9.5%	8.5%	8.0%	-0.5	-1.6	9.5%	8.0%	-1.6
Property (%)	27.4%	31.3%	27.5%	-3.8	0.2	27.4%	27.5%	0.2

Source: BIMB Securities, Company

Table 3: Sum-of-Parts (SOP) Valuation

			Segment Value (RM'mn)	Comment
Manufacturing	FY23F Operating Profit (RM'mn)	Target PER (x)	3,507.3	10% premium to peer's average PER
	272.5	12.9		
Property	RNAV (-) discount	4,995.3 (1,498.6)	3,496.7	30% discount to Property RNAV
	Sub-total			
	Holding co net debts		(980.3)	
	Total Equity value		6,023.7	
	Share cap (mn)		1,551.0	
	Target Price (RM)		3.88	
	Implied FY23 PER		11.8	

Source: Bloomberg, BIMB Securities

Table 2: Earnings forecast

FYE July (RM'mn)	FY20	FY21	FY22F	FY23F	FY24F
Turnover	3,518.6	3,656.0	3,985.3	4,747.8	4,868.5
EBIT	549.5	600.3	561.0	719.6	776.9
Pretax Profit	544.3	601.0	548.3	711.3	765.5
Core Net Profit	414.6	443.4	414.4	508.5	547.3
Core EPS (sen)	26.8	28.6	26.7	32.8	35.3
Consensus NP			493.1	555.4	606.8
PER (x)	12.7	11.9	12.7	10.4	9.6
DPS (sen)	23.0	9.0	9.0	9.0	10.0
D. Yield (%)	5.9%	2.3%	2.3%	2.3%	2.6%
Key Ratios (%)					
ROE	16.2%	15.3%	13.3%	14.7%	14.2%
EBIT margin	15.6%	16.4%	14.1%	15.2%	16.0%
Pretax margin	15.5%	16.4%	13.8%	15.0%	15.7%
Core PATAMI margin	11.8%	12.1%	10.4%	10.7%	11.2%

Source: Bloomberg, BIMB Securities

DEFINITION OF RATINGS

BIMB Securities uses the following rating system:

STOCK RECOMMENDATION

BUY	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
TRADING BUY	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
HOLD	Share price may fall within the range of +/- 10% over the next 12 months
TAKE PROFIT	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
TRADING SELL	Share price may fall by more than 15% in the next 3 months.
SELL	Share price may fall by more than 10% over the next 12 months.
NOT RATED	Stock is not within regular research coverage.

SECTOR RECOMMENDATION

OVERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
NEUTRAL	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
UNDERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

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Printed and published by**BIMB SECURITIES SB (290163-X)**

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