

## Scientex Berhad (SCI MK)

Inline

BUY

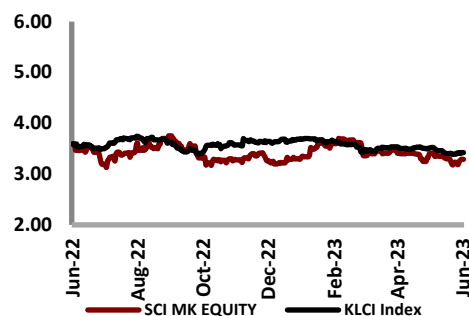
Share Price RM3.41 +17.3%  
Target Price RM4.00

**Property Segment as a Primary Growth Engine**

Scientex Berhad (Scientex) recorded a 3QFY23 core PATAMI of RM114.1mn, reflecting an increase of 13.6% QoQ and 16.3% YoY growth, thank to higher contribution from Property segment. This achievement contributes to a cumulative core PATAMI of RM327.2mn for the 9MFY23, representing a 13.5% YoY advancement. The result came in within our and consensus estimates, making up 69% and 71% of full year forecast respectively. We believe that despite of the global economic slowdown and the anticipated decrease in packaging demand, the company's overall performance would be mitigated by the resilient and steady demand for its affordable houses. **Maintain a BUY on Scientex, with unchanged TP of RM4.00.**

- **Inline.** 9MFY23 core PATAMI of RM327.2mn was within our and market forecast, making up 69% and 71.1% of full year forecast respectively.
- **Dividend.** The Group declared a single tier dividend of 5sen per share for FY23. This translates into 1.5% at current share price.
- **QoQ.** Revenue and operating profit (OP) inched up by 1.9% QoQ and 1.5% QoQ respectively, thank to better contribution from Property segment (Revenue: +11.9% QoQ, OP: +18.2% QoQ) despite unimpressive result from Packaging segment (Revenue: -3% QoQ, OP: -23.7% QoQ). This was due to a strong demand for newly launched properties in Kundang, Selangor, Seremban in Negeri Sembilan, and Durian Tunggal in Melaka.
- **YoY.** Revenue recorded a marginal growth of 0.3% YoY amid encouraging OP which escalated by 21.2% YoY. Property segment remain resilient as revenue and OP surged 48.1% YoY and 58.8% YoY respectively, given higher progress billings from on-going projects (Kundang, Tasek Gelugor and Pulai) and new launches. Nonetheless, this was offset by the poor result from Packaging segment (Revenue: -15.2% YoY, OP: -22.0% YoY) due to softening demand for both industrial and consumer packaging products amid higher operating costs.
- **YTD.** As at 9MFY23, both revenue and OP increased 4.6% YoY and 15.2% YoY respectively. The remarkable performance was primarily attributed to the impressive results achieved by the Property segment (Revenue: +32.6% YoY, OP: +35.7% YoY). We understand that unbilled sales as of Apr'23 is at RM1.6bn while take up rate as of May'23 stands at 80%.
- **Outlook.** As we look ahead, there is a likelihood of reduced packaging demand due to the global economic slowdown. However, the company's packaging segment is expected to minimize the impact through its expansion strategy, consistent consumer demand for packaging products, advantageous contracts with customers, and a cost-plus business model. Conversely, we anticipate a strong and resilient demand for its affordable houses, supported by upcoming new launches in various states across Peninsular Malaysia, as well as its efforts to acquire competitively priced land in strategic locations that aim to help address the challenge of rising operational costs.
- **Forecast.** No changes to our FY23F-FY25F earnings forecast.
- **Maintain a BUY, TP: RM4.00.** Maintain a **BUY** call on Scientex with unchanged **TP of RM4.00** based on SOP valuation. Overall, we like Scientex due to its: i) organic expansion and M&A activities which may drive long-term growth, ii) solid position as affordable housing developer, and iii) high commitment on sustainability and environment for their plastic products.

Price Chart (RM)



Share Performance (%)	1m	3m	12m
Absolute	0.0	1.2	1.0
vs FBM KLCI	2.9	2.2	2.0

**Stock Data**

Mkt Cap (RM mn)	5,289.1
Adjusted beta	0.704
Free float (%)	59.9
Issued shares (m)	1551.1
52w H/L (RM)	3.75 / 3.02
3m avg daily volume	323,644

**Major Shareholders (%)**

Scientex Holdings Sdn Bhd	21.0
Scientex Infinity Sdn Bhd	10.3
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	
	3QFY22	2QFY23	3QFY23	QoQ Chg	YoYChg	FY22	FY23	YTD Chg	BIMB	9M/F
<b>Revenue</b>	<b>993.8</b>	<b>978.4</b>	<b>997.1</b>	<b>1.9%</b>	<b>0.3%</b>	<b>2874.0</b>	<b>3005.4</b>	<b>4.6%</b>	<b>4397.</b>	<b>68.3%</b>
EBITDA	161.5	54.2	305.3	463.3%	89.0%	470.2	533.1	13.4%	795.3	67.0%
<b>Pretax profit</b>	<b>120.3</b>	<b>141.5</b>	<b>145.0</b>	<b>2.5%</b>	<b>20.5%</b>	<b>374.7</b>	<b>423.1</b>	<b>12.9%</b>	<b>663.4</b>	<b>63.8%</b>
Taxation	-25.7	-29.1	-30.1	3.3%	17.4%	-73.0	-82.5	13.1%	-159.2	51.8%
<b>Core Net Profit</b>	<b>98.1</b>	<b>100.5</b>	<b>114.1</b>	<b>13.6%</b>	<b>16.3%</b>	<b>288.3</b>	<b>327.2</b>	<b>13.5%</b>	<b>474.3</b>	<b>69.0%</b>
Core EPS (sen)	6.3	6.5	7.4	13.6%	16.3%	18.6	21.1	13.5%	30.6	69.0%
				<b>chg (ppts)</b>				<b>ppts</b>		
EBITDA margin (%)	16.3%	5.5%	30.6%	25.1	14.4	16.4%	17.7%	1.4%	30.0	
PBT margin (%)	12.1%	14.5%	14.5%	0.1	2.4	13.0%	14.1%	1.0%	0.0	
Core Net profit margin (%)	9.9%	10.3%	11.4%	1.2	1.6	10.0%	10.9%	0.9%	18.1	
Effective tax rate (%)	21.3%	20.6%	20.8%	0.2	-0.6	19.5%	19.5%	0.0%	2.3	

Source: BIMB Securities, Company

Table 2: Segmental breakdown

Scientex Berhad FYE 31 July (RM'mn)	Quarterly			Change (%)		Cumulative		YTD
	3QFY22	2QFY23	3QFY23	QoQ Chg	YoYChg	FY22	FY23	YTD Chg
<b>Revenue</b>	<b>993.9</b>	<b>978.3</b>	<b>997.1</b>	<b>1.9%</b>	<b>0.3%</b>	<b>2874.2</b>	<b>3005.3</b>	<b>4.6%</b>
Packaging	749.7	655.1	635.4	-3.0%	-15.2%	2120.5	2006.5	-5.4%
Property	244.2	323.3	361.7	11.9%	48.1%	753.5	998.9	32.6%
<b>Operating Profit</b>	<b>123.4</b>	<b>147.4</b>	<b>149.6</b>	<b>1.5%</b>	<b>21.2%</b>	<b>382.3</b>	<b>440.6</b>	<b>15.2%</b>
Packaging	57.0	58.3	44.5	-23.7%	-22.0%	175.4	159.7	-9.0%
Property	66.3	89.1	105.4	18.2%	58.9%	207.0	281.0	35.7%
				<b>chg (ppts)</b>				<b>chg (ppts)</b>
<b>Operating Margin (%)</b>	<b>12.4%</b>	<b>15.1%</b>	<b>15.0%</b>	<b>-0.1</b>	<b>2.6</b>	<b>13.3%</b>	<b>14.7%</b>	<b>1.4</b>
Packaging (%)	7.6%	8.9%	7.0%	-1.9	-0.6	8.3%	8.0%	-0.3
Property (%)	27.2%	27.6%	29.1%	1.6	2.0	27.5%	28.1%	0.7

Source: BIMB Securities, Company

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

	Segment Value (RM'mn)		Comment
<b>Packaging</b>	FY24F Operating Profit (RM'mn)	Target PER (x)	
	267.1	12.9	10% premium to peer's average PER
<b>Property</b>	RNAV	4,995	
	(-) discount	(1,249)	25% discount to Property RNAV
	<b>Sub-total</b>	<b>3,746.5</b>	
	<b>Holding co net debts</b>	<b>(980.3)</b>	
	<b>Total Equity value</b>	<b>6,203.8</b>	
	<b>Share cap (mn)</b>	<b>1,551.0</b>	
	<b>Target Price (RM)</b>	<b>4.00</b>	
	<b>Implied FY23 PER</b>	<b>13.1</b>	

Source: Bloomberg, BIMB Securities

**Table 4: Earnings forecast**

FYE July (RM'mn)	FY21	FY22	FY23F	FY24F	FY25F
<b>Turnover</b>	<b>3,656.0</b>	<b>3,985.3</b>	<b>4,397.2</b>	<b>4,560.0</b>	<b>4,882.6</b>
EBITDA	710.6	675.5	795.3	854.0	923.8
Pretax Profit	<b>601.0</b>	<b>548.3</b>	<b>663.4</b>	<b>711.6</b>	<b>775.0</b>
<b>Core Net Profit</b>	<b>443.4</b>	<b>414.4</b>	<b>474.3</b>	<b>508.7</b>	<b>554.1</b>
Core EPS (sen)	28.6	26.7	30.6	32.8	35.7
Consensus NP			460.0	537.1	589.3
PER (x)	11.9	12.8	11.2	10.4	9.5
DPS (sen)	9.0	9.0	9.0	9.0	10.0
D. Yield (%)	2.3	2.3	2.3	2.3	2.5
<b>Key Ratios (%)</b>					
ROE	15.3	13.3	13.8	13.4	13.2
EBITDA margin	19.4	16.9	18.1	18.7	18.9
Pretax margin	16.4	13.8	15.1	15.6	15.9
Core PATAMI margin	12.1	10.4	10.8	11.2	11.3

**Source: Bloomberg, BIMB Securities**

**DEFINITION OF RATINGS**

BIMB Securities uses the following rating system:

**STOCK RECOMMENDATION**

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

**SECTOR RECOMMENDATION**

<b>OVERWEIGHT</b>	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
<b>NEUTRAL</b>	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
<b>UNDERWEIGHT</b>	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

**Applicability of ratings**

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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