

Scientex Berhad (SCI MK)**Inline****BUY**

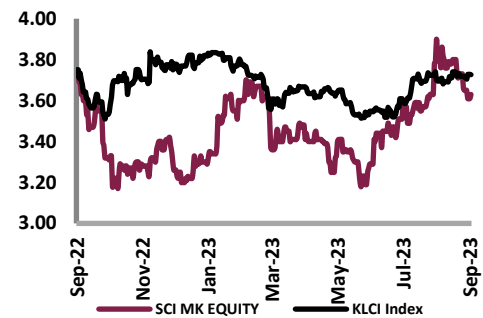
Share Price RM3.68 +12.8%
Target Price RM4.15

Property Segment as Main Pillar for FY23

Scientex Berhad (Scientex) registered a 4QFY23 core PATAMI of RM135.3mn, which surged 18.5% QoQ and 3.2% YoY growth, thanks to a higher contribution from Property segment. Cumulatively, FY23 core PATAMI stood at RM462.5mn, representing a 10.4% YoY increase. The results came in within our and consensus estimates, making up 97.5% and 99.7% of full year forecast respectively. We believe that despite the global economic slowdown and declining demand for Scientex's packaging, the company's overall performance will be offset by the consistent and enduring demand for its affordable housing. Maintain a BUY call on Scientex, with higher TP of RM4.15.

- **Inline.** FY23 core PATAMI of RM462.5mn was within our and market expectations, accounting for 97.5% and 99.7% of the full-year forecast, respectively.
- **Dividend.** The Group declared a single-tier final dividend of 5sen per share during this quarter, bringing a total dividend payment of 10sen per share for FY23. This translates into 2.5% at the current share price.
- **QoQ.** Revenue increased by 7.5% QoQ, but operating profit (OP) saw a slight decline of 0.7% QoQ. This improvement in revenue was mainly driven by the better performance of the Property segment (revenue: +24.9% QoQ, OP: +18.3% QoQ), despite disappointing results from the Packaging segment (revenue: -2.5% QoQ, OP: -45.4% QoQ). Note that Scientex recognized a goodwill impairment of RM22.7mn related to its operations in Myanmar for this quarter.
- **YoY.** Revenue and OP declined by 3.6% YoY and 16.9% YoY, primarily due to the subdued performance of the Packaging segment, which saw a 16.9% YoY decrease in revenue and a 61.3% YoY decline in OP. Despite resilient earnings from the Property segment, which had a 21.9% YoY increase in revenue and a 7.5% YoY increase in OP, it was not enough to fully offset this decline. Additionally, the PBT margin declined by 2ppts YoY, mainly due to increased energy costs, particularly in electricity, despite stable raw material prices, specifically resin.
- **YTD.** For the FY23, both revenue and OP increased by 2.3% YoY and 5.1% YoY, respectively. The encouraging performance came from the Property segment, with revenue and OP up by 29.1% YoY and 25.6% YoY, respectively. The Group also shared that its unbilled sales for FY23 amounted to RM1.76bn, with a take-up rate of over 80%.
- **Outlook.** The Group foresees a rebound in the Packaging segment and remains confident in strong earnings from the Property segment, driven by new projects and robust uptake. Overall, we expect sustainable earnings for Scientex, driven by strategic expansion, steady consumer demand, favourable contracts, and growth in their packaging segment. We also foresee resilient demand for their affordable houses, supported by upcoming launches in various states across Peninsular Malaysia, as well as efforts to acquire competitively priced land in strategic locations to address rising operational costs.
- **Forecast.** No changes to our FY24F-FY25F earnings forecast.
- **Maintain a BUY, TP: RM4.15.** Maintain BUY call on Scientex with higher TP of RM4.15 (RM4.00 previously) as we rolled our valuation to FY25F. Overall, we like Scientex due to its: i) organic expansion and M&A activities for potential long-term growth, ii) strong position as an affordable housing developer, and iii) high commitment to sustainability and the environment in their plastic product offerings.

Price Chart (RM)



Share Performance (%)	1m	3m	12m
Absolute	(3.7)	9.5	2.7
vs FBM KLCI	(3.7)	3.6	(0.6)

Stock Data

ESG Rating	Good
Mkt Cap (RM mn)	5,707.9
Adjusted beta	0.713
Free float (%)	59.5
Issued shares (m)	1551.1
52w H/L (RM)	3.97 / 3.16
3m avg daily volume	411,350

Major Shareholders (%)

Scientex Holdings Sdn Bhd	21.0
Scientex Infinity Sdn Bhd	10.4
Scientex Leasing Sdn Bhd	9.1

Nursuhaiza Hashim

suhaiza@bimbsec.com.my

(603) 2613 1732

Table 1: Quarterly figures

Scientex Berhad FYE 31 July (RM'mn)	Quarterly			Change (%)		Cumulative		YTD	BIMB	
	4QFY22	3QFY23	4QFY23	QoQ Chg	YoYChg	FY22	FY23	YTD Chg	BIMB	12M/F
Revenue	1111.3	997.1	1071.5	7.5%	-3.6%	3985.3	4076.9	2.3%	4397.	92.7%
EBITDA	206.9	305.3	210.2	-31.1%	1.6%	682.2	732.7	7.4%	795.3	92.1%
Pretax profit	173.6	145.0	145.6	0.4%	-16.1%	548.3	568.7	3.7%	663.4	85.7%
Taxation	-42.7	-30.1	-37.2	23.5%	-12.9%	-115.7	-119.7	3.5%	-159.2	75.2%
Core Net Profit	131.0	114.1	135.3	18.5%	3.2%	419.0	462.5	10.4%	474.3	97.5%
Core EPS (sen)	8.4	7.4	8.7	18.5%	3.2%	27.0	29.8	10.4%	30.6	97.5%
				chg (ppts)				ppts		
EBITDA margin (%)	18.6%	30.6%	19.6%	-11.0	1.0	17.1%	18.0%	0.9	24.0%	
PBT margin (%)	15.6%	14.5%	13.6%	-1.0	-2.0	13.8%	13.9%	0.2	18.1%	
Core Net profit margin (%)	11.8%	11.4%	12.6%	1.2	0.8	10.5%	11.3%	0.8	15.3%	
Effective tax rate (%)	24.6%	20.8%	25.5%	4.8	0.9	21.1%	21.1%	0.0	236.6	

Source: BIMB Securities, Company

Table 2: Segmental breakdown

Scientex Berhad FYE 31 July (RM'mn)	Quarterly			Change (%)		Cumulative		YTD
	4QFY22	3QFY23	4QFY23	QoQ Chg	YoYChg	FY22	FY23	YTD Chg
Revenue	1111.3	997.1	1071.5	7.5%	-3.6%	3985.5	4076.8	2.3%
Packaging	740.8	635.4	619.7	-2.5%	-16.3%	2861.4	2626.2	-8.2%
Property	370.5	361.7	451.8	24.9%	21.9%	1123.9	1450.7	29.1%
Operating Profit	178.8	149.6	148.5	-0.7%	-16.9%	561.0	589.4	5.1%
Packaging	62.6	44.5	24.3	-45.4%	-61.3%	238.0	184.0	-22.7%
Property	116.0	105.4	124.7	18.3%	7.5%	323.0	405.6	25.6%
				chg (ppts)				chg (ppts)
Operating Margin (%)	16.1%	15.0%	13.9%	-1.1	-2.2	14.1%	14.5%	0.4
Packaging (%)	8.5%	7.0%	3.9%	-3.1	-4.5	8.3%	7.0%	-1.3
Property (%)	31.3%	29.1%	27.6%	-1.5	-3.7	28.7%	28.0%	-0.8

Source: BIMB Securities, Company

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

			Segment Value (RM'mn)	Comment
Packaging	FY25F Operating Profit (RM'mn)	Target PER (x)	3,339.5	15% premium to peer's weighted average PER
	299.4	11.2		
	RNAV	4,995		
Property	(-) discount	(1,249)		25% discount to Property RNAV
	Sub-total		3,746.5	
	Net debts		(670.4)	
	Total Equity value		6,415.6	
	Share cap (mn)		1,551.0	
	Target Price (RM)		4.15	
	Implied FY24 PER		12.0	

Source: Bloomberg, BIMB Securities

Table 4: Earnings forecast

FYE July (RM'mn)	FY21	FY22	FY23A	FY24F	FY25F
Turnover	3,656.0	3,985.3	4,076.9	4,560.0	4,882.6
EBITDA	710.6	675.5	732.7	854.0	923.8
Pretax Profit	601.0	548.3	568.7	720.6	781.8
Core Net Profit	443.4	414.4	462.5	534.2	579.5
Consensus NP				525.3	577.0
Core EPS (sen)	28.6	26.7	29.8	34.4	37.4
PER (x)	12.9	13.8	12.3	10.7	9.8
BVPS (sen)	3.6	2.1	2.3	2.6	2.8
P/B (x)	1.0	1.7	1.6	1.4	1.3
DPS (sen)	9.0	9.0	10.0	10.0	11.0
D. Yield (%)	2.3	2.3	2.5	2.5	2.8
		Key Ratios (%)			
ROE	15.3	13.3	13.6	14.2	13.9
EBITDA margin	19.4	16.9	18.0	18.7	18.9
Pretax margin	16.4	13.8	13.9	15.8	16.0
Core PATAMI margin	12.1	10.4	11.3	11.7	11.9

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

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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*A Participating Organisation of Bursa Malaysia Securities Berhad
Level 34, Menara Bank Islam*

No 22, Jalan Perak,

50450 Kuala Lumpur

Tel: 03-2613 1600 Fax: 03-2613 1799

<http://www.bimbsec.com.my>

Noorhayati Maamor
Head of Research