

25 Sep 2024

## Buy

**Price**  
 RM4.19

**Target Price**  
 RM5.25 (from RM5.22)

### Market Data

Bloomberg Code	SCI MK
No. of shares (m)	1,551.0
Market cap (RMm)	6,498.7
52-week high/low (RM)	4.50 / 3.44
Avg daily turnover (RMm)	2.8
KLCI (pts)	1,670.4

Source: Bloomberg, CIMB Securities

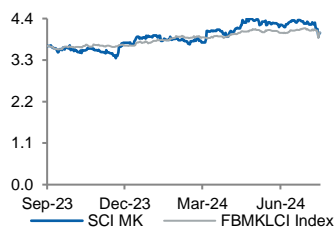
### Major Shareholder (%)

Scientex Holdings Sdn Bhd	(21.0%)
Scientex Infinity Sdn Bhd	(10.8%)
Scientex Leasing Sdn Bhd	(9.1%)
Free Float	35.3

Source: Bloomberg, CIMB Securities

### Performance

	3M	6M	12M
Absolute (%)	(8.7)	2.5	12.1
Rel Market (%)	(9.1)	(2.5)	1.5



Source: Bloomberg, CIMB Securities

### Analyst(s)

**Yee Sin Seh**  
 (603) 2171 0505  
 yeessin.seh@cimb.com

**Walter Aw Lik Hsin**  
 walter.aw@cimb.com

# Scientex Berhad

## Solid finish; yet slightly off target

Scientex posted FY7/24 CNP at RM534m (+12.7% yoy), slightly below our expectations. The variance was mainly due to lower EBIT margin in the property segment from a less favourable product mix. For FY24, the property segment remains as key growth driver for Scientex, which more than offset the weaker packaging sales in the year. Maintain Buy with a slightly higher TP at RM5.25, as we roll forward valuation base to CY26F.

### Financial Highlights

FYE Jul	2023	2024	2025F	2026F	2027F
Revenue (RMm)	4,077	4,476	4,666	4,925	5,232
Core net profit (RMm)	474	534	560	616	678
Core EPS (Sen)	30.6	34.5	36.1	39.7	43.7
EPS growth (%)	13.2	12.7	4.8	10.1	10.1
DPS (Sen)	10.0	12.0	12.0	13.0	14.0
Core PE (x)	13.7	12.2	11.6	10.5	9.6
Div yield (%)	2.4	2.9	2.9	3.1	3.3
ROE (%)	12.1	13.6	12.8	12.8	12.9
Net Gearing (%)	19.8	18.0	38.6	30.1	22.5
PBV(x)	2.0	1.8	1.6	1.4	1.3

Source: Company, CIMB Securities

### FY7/24 results below our expectations due to lower margin in the property segment

In 4QFY7/24, Scientex posted a core net profit (CNP) of RM139m (+8.7% qoq, +3.0% yoy), excluding key exceptional items of RM3.3m. This brought FY7/24 CNP to RM534m (+12.7% yoy), which we deem below our (at 95%) but broadly in-line with consensus (at 97%) expectations. The variance mainly came from lower-than-anticipated EBIT margin in the property segment, attributed to less favourable product mix (4QFY24: 25.5% vs. 4QFY23: 27.6%). Meanwhile, Scientex declared 12.0 sen DPS in FY24, up from 10.0 sen in FY23, with a dividend payout ratio of 34%, in line with our expectations.

### Packaging sales seem to be stabilising, with FY24 rev inched down by only 1.2% yoy

Packaging sales appear to be stabilising in 4QFY24 (-0.8% qoq, +5.1% yoy), resulting in a yoy revenue decline of only 1.2% in FY24, a significant improvement compared to the drop of 8.2% in FY23. This is largely contributed by improved export sales of industrial packaging, which partially offset the weaker demand in consumer packaging. FY24's EBIT margin has also improved by 1.4-pts to 8.4%, contributed by favourable product mix and efficiency gains.

### Property segment remains as its key growth driver, supported by strong demand

4QFY24's revenue growth for its property segment remains strong (+14.6% qoq, +14.4% yoy). This brings FY24 revenue growth to 29.7%. This is mainly driven by i) a steady construction progress on its ongoing projects, and ii) resilient take-up of its new launches. Despite the stronger sales in 4QFY24, we note that its EBIT margin has tapered off to 25.5% (-2.1-pts yoy) likely due to a less favourable product mix. FY24's EBIT margin fell by 0.4-pts yoy to 27.6%. On a separate note, Scientex has launched a total of RM1.9bn gross development value of property projects in FY24 – while slightly below the RM2.1bn initial target, it remains committed to launching c.RM2bn in FY25F.

### Maintain Buy with a higher TP at RM5.25; expect FY24-27F core EPS CAGR at 8.3%

Post-4QFY24 results, we cut FY25F/26F core EPS by 6.4%/3.2% mainly to account for lower EBIT margin assumptions for its property segment amid rising construction costs. We also introduce our FY27F earnings estimates. Overall, we project a 3-year core EPS CAGR of 8.3%, driven mainly by new property launches, alongside a gradual demand recovery from the packaging segment. Despite the earnings cut, our SOP-based TP is raised to RM5.25 as we roll forward our valuation base to CY26F. Our TP implies a 13x CY25F PE (at +1sd above its 5-year forward mean), mainly premised on i) its solid EPS growth, ii) robust management track record, ii) strong property launching pipeline (with the four major land acquisitions), and iii) a decent FY25F-27F dividend yield of 2.9%-3.3% at current share price.

**Downside risks:**

- i) Weaker-than-expected take-up rate for its property projects,
- ii) Weaker-than-expected sales demand recovery for its packaging products.

**Exhibit 1: Results comparison table**

FYE Jul (RM m)	4QFY24	4QFY23	yoy % chg	3QFY24	qoq % chg	4QFY24 Cum	4QFY23 Cum	yoy % chg	Prev. FY24F	Comments
Revenue	1,168.3	1,071.5	9.0	1,108.0	5.4	4,475.6	4,076.9	9.8	4,407.9	FY24: led by strong property sales, which more than offset weaker sales from the packaging segment
Operating costs	957.9	891.0	7.5	895.6	7.0	3,607.0	3,363.4	7.2	(3,517.9)	
<b>EBITDA</b>	<b>210.4</b>	<b>180.5</b>	<b>16.6</b>	<b>212.4</b>	<b>(0.9)</b>	<b>868.6</b>	<b>713.5</b>	<b>21.7</b>	<b>890.0</b>	
EBITDA margin (%)	18.0%	16.8%	1.2	19.2%	(1.2)	19.4%	17.5%	1.9	20.2	Improved EBITDA margin (yoy) on packaging's favourable product mix and better operational efficiency
Depn & amort.	33.2	31.5	5.3	32.8	1.2	132.1	123.9	6.6	131.9	
<b>EBIT</b>	<b>177.2</b>	<b>148.9</b>	<b>19.0</b>	<b>179.6</b>	<b>(1.3)</b>	<b>736.5</b>	<b>589.6</b>	<b>24.9</b>	<b>758.2</b>	
Interest expense	(5.6)	(7.5)	(25.9)	(5.1)	8.9	(22.6)	(33.5)	(32.6)	(26.6)	Net debt position of RM680.6m (at end-4QFY24)
Exceptionals & revaln	(3.3)	(20.3)	(83.6)	2.5	(235.2)	10.8	(36.0)	nm	0.0	4QFY24: mainly comprises RM4.4m net foreign exchange loss; 4QFY23: mainly comprises RM22.7m impairment loss on goodwill
<b>Pretax profit</b>	<b>177.0</b>	<b>145.6</b>	<b>21.6</b>	<b>178.5</b>	<b>(0.9)</b>	<b>728.9</b>	<b>568.7</b>	<b>28.2</b>	<b>745.2</b>	
Tax	(33.8)	(37.2)	(9.2)	(40.6)	(16.9)	(159.7)	(119.7)	33.4	(171.4)	
Tax rate (%)	-19.1%	-25.5%	6.5	-22.8%	3.7	-21.9%	-21.1%	(0.9)	(23.0)	
Minority interests	(7.3)	6.5	(1385.8)	(7.4)	4.4	(24.0)	(10.8)	122.0	(11.7)	
<b>Net profit</b>	<b>135.9</b>	<b>114.9</b>	<b>18.2</b>	<b>130.5</b>	<b>4.1</b>	<b>545.2</b>	<b>438.1</b>	<b>24.4</b>	<b>562.1</b>	
<b>Core net profit</b>	<b>139.2</b>	<b>135.2</b>	<b>3.0</b>	<b>128.0</b>	<b>8.7</b>	<b>534.4</b>	<b>474.2</b>	<b>12.7</b>	<b>562.1</b>	Below ours (at 95%) but broadly in-line with consensus (at 97%) full-year FY24F EPS
Core net profit margin (%)	11.9%	12.6%	(0.7)	11.6%	0.4	11.9%	11.6%	0.3	0.0	
EPS (sen)	8.8	7.4	18.2	8.4	4.1	35.1	28.2	24.4	36.2	
Core EPS (sen)	9.0	8.7	2.9	8.3	8.7	34.5	30.6	12.7	36.2	Based on 1.5 bn shares
DPS (sen)	6.0	5.0	20.0	6.0	0.0	12.0	10.0	20.0	0.0	Declared 6.0 sen DPS, in line with our expectation

Source: Company, CIMB Securities

**Exhibit 2: Segmental breakdown**

FYE Jul (RM m)	4QFY24	4QFY23	yoy % chg	3QFY24	qoq % chg	4QFY24 Cum	4QFY23 Cum	yoy % chg
<b>Segmental revenue</b>								
Packaging	651.3	619.7	5.1	656.9	(0.8)	2,594.5	2,626.2	(1.2)
Property	517.0	451.8	14.4	451.1	14.6	1,881.1	1,450.7	29.7
<b>Operating profit/ (loss)</b>								
Packaging	45.2	24.3	86.3	58.4	(22.6)	218.0	184.0	18.5
Property	132.0	124.7	5.9	121.2	8.9	518.5	405.6	27.8
<b>Operating profit/ (loss) margin (%)</b>								
Packaging	6.9%	3.9%	3.0	8.9%	(1.9)	8.4%	7.0%	1.4
Property	25.5%	27.6%	(2.1)	26.9%	(1.3)	27.6%	28.0%	(0.4)

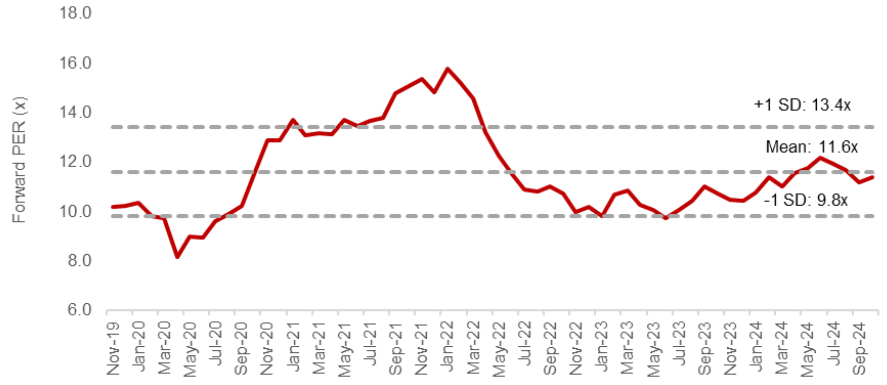
Source: Company, CIMB Securities

**Exhibit 3: Sum-of-parts valuation**

Segment	Valuation (RMm)
Manufacturing	11.6x CY26F PE 2,026
Property	30% discount to RNAV 6,122
Equity value (RMm)	8,149
Outstanding shares (m)	1,551
<b>Target Price (RM/share)</b>	<b>5.25</b>

Source: Company, CIMB Securities

**Exhibit 4: 5-year forward P/E**



Source: Bloomberg, CIMB Securities

**Income Statement**

<b>FYE Jul (RMm)</b>	<b>2023</b>	<b>2024</b>	<b>2025F</b>	<b>2026F</b>	<b>2027F</b>
Revenue	4,077	4,476	4,666	4,925	5,232
EBITDA	713	869	940	1,001	1,069
Depreciation/Amortisation	-124	-132	-128	-126	-124
Operating income (EBIT)	590	737	812	875	945
Other income & associates	13	14	14	15	16
Net interest	-34	-23	-77	-67	-57
Exceptional items	-36	11	0	0	0
<b>Pretax profit</b>	<b>569</b>	<b>729</b>	<b>749</b>	<b>823</b>	<b>904</b>
Taxation	-120	-160	-164	-180	-198
Minorities/pref dividends	-11	-24	-25	-26	-28
<b>Net profit</b>	<b>438</b>	<b>545</b>	<b>560</b>	<b>616</b>	<b>678</b>
Core net profit	474	534	560	616	678

**Balance Sheet**

<b>FYE Jul (RMm)</b>	<b>2023</b>	<b>2024.0</b>	<b>2025F</b>	<b>2026F</b>	<b>2027F</b>
Fixed assets	1,558	1,524	1,496	1,470	1,447
Intangible assets	305	305	305	305	305
Other long-term assets	1,571	1,922	3,222	3,422	3,622
<b>Total non-current assets</b>	<b>3,439</b>	<b>3,755</b>	<b>5,027</b>	<b>5,201</b>	<b>5,378</b>
Cash & equivalent	166	252	330	303	298
Stock	377	348	362	383	406
Trade debtors	874	1,063	1,108	1,170	1,242
Other current assets	649	736	736	736	736
Total current assets	2,066	2,399	2,536	2,591	2,683
Trade creditors	790	843	879	928	985
Short-term borrowings	767	863	863	613	363
Other current liabilities	120	206	206	206	206
<b>Total current liabilities</b>	<b>1,677</b>	<b>1,911</b>	<b>1,947</b>	<b>1,746</b>	<b>1,554</b>
Long-term borrowings	70	70	1,070	1,070	1,070
Other long-term liabilities	145	153	153	153	153
<b>Total long-term liabilities</b>	<b>215</b>	<b>223</b>	<b>1,223</b>	<b>1,223</b>	<b>1,223</b>
<b>Shareholders' funds</b>	<b>3,392</b>	<b>3,776</b>	<b>4,150</b>	<b>4,580</b>	<b>5,041</b>
Minority interests	214	235	235	235	235

**Cash flow Statement**

<b>FYE Jul (RMm)</b>	<b>2023</b>	<b>2024</b>	<b>2025F</b>	<b>2026F</b>	<b>2027F</b>
Pretax profit	569	729	749	823	904
Depreciation/Amortisation	124	132	128	126	124
Net change in working capital	198	126	-24	-33	-39
Others	-86	-128	-87	-113	-141
<b>Cash flow from operations</b>	<b>805</b>	<b>859</b>	<b>766</b>	<b>803</b>	<b>848</b>
Capital expenditure	-123	-86	-100	-100	-100
Net investments & sale of fixed assets	-150	-495	-1,300	-200	-200
Others	4	-60	-25	-26	-28
<b>Cash flow from investing</b>	<b>-270</b>	<b>-640</b>	<b>-1,425</b>	<b>-326</b>	<b>-328</b>
Debt raised/(repaid)	-352	93	1,000	-250	-250
Equity raised/(repaid)	0	0	0	0	0
Dividends paid	-162	-192	-186	-186	-217
Others	-45	-34	-77	-67	-57
<b>Cash flow from financing</b>	<b>-560</b>	<b>-133</b>	<b>737</b>	<b>-503</b>	<b>-524</b>
<b>Net cash flow</b>	<b>-25</b>	<b>86</b>	<b>78</b>	<b>-27</b>	<b>-4</b>
<b>Net cash/(debt) b/f</b>	<b>191</b>	<b>166</b>	<b>252</b>	<b>330</b>	<b>303</b>
<b>Net cash/(debt) c/f</b>	<b>166</b>	<b>252</b>	<b>330</b>	<b>303</b>	<b>298</b>

**Key Ratios**

<b>FYE Jul</b>	<b>2023</b>	<b>2024</b>	<b>2025F</b>	<b>2026F</b>	<b>2027F</b>
Revenue growth (%)	2.3	9.8	4.3	5.5	6.2
EBITDA growth (%)	4.8	21.7	8.2	6.5	6.8
Pretax margins (%)	13.9	16.3	16.0	16.7	17.3
Net profit margins (%)	10.7	12.2	12.0	12.5	13.0
Interest cover (x)	17.6	32.6	10.5	13.0	16.5
Effective tax rate (%)	21.1	21.9	21.9	21.9	21.9
Net dividend payout (%)	35.4	34.1	33.2	32.7	32.0
Debtors turnover (days)	78	87	87	87	87
Stock turnover (days)	34	28	28	28	28
Creditors turnover (days)	71	69	69	69	69

Source: Bloomberg, CIMB Securities

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Buy	The stock's total return is expected to exceed 10% over the next twelve (12) months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next twelve (12) months.
Reduce	The stock's total return is expected to fall below 0% or more over the next twelve (12) months.
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