

# Scientex Berhad

**TP: RM5.48 (+30.8%)**
*Property Segment Remains the Key Driver*
*Last Traded: RM4.19*
**Buy (ESG: ★★★)**

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## Review

- Scientex Berhad's (Scientex) FY24 core earnings came in within expectations, meeting 100% of our forecast and 97% of the consensus full-year estimate.
- Core net profit for FY24 increased by 15.7% YoY to RM536.4mn, supported by a 9.8% YoY rise in revenue to RM4.5bn. The commendable results were mainly driven by improved performance in the property segment.
- The property segment's EBIT increased by 27.8% YoY to RM518.5mn, in tandem with a 29.7% YoY rise in sales to RM1.9bn. This was attributable to steady progress billing and resilient take-up rates of approximately 80% for the launches in FY24.
- On the other hand, the manufacturing segment's revenue remained flat at RM2.6bn compared to the previous year. Despite the weaker top line, EBIT increased by 18.5% YoY to RM218.0mn, driven by an improved sales mix and greater operational efficiency.
- In 4QFY24, core earnings increased by 9.2% QoQ to RM139.8mn, while revenue grew by 5.4% QoQ to RM1.2bn. Robust sales in the property segment (+14.6% QoQ) offset the weaker performance (-0.8% QoQ) in the manufacturing segment, primarily due to lower average selling prices.
- A single-tier final dividend of 6.0sen/share was declared for 4QFY24 (4QFY23: 5.0sen/share), bringing the YTD dividend to 12.0sen/share (FY23: 10.0sen/share).

## Impact

- After inputting the FY24 figures, we revised our FY25/26 forecasted core earnings upwards by 0.2%/3.1%, respectively.

## Briefing Highlights

- Manufacturing.** The demand for the packaging sector is expected to remain soft, particularly in consumer packaging. This is mainly due to pricing competition from China players who are offering lower prices. Notably, the sales mix for consumer and industrial packaging is evenly split at approximately 50% in FY24. Looking ahead, we expect a gradual recovery in demand for FY25, as we observed an improvement in overall sales volume of around 4.0% YoY in FY24, which offsets the slight decline in ASP.
- The group plans to install solar PV panels at 10 manufacturing plants in Malaysia, with an expected capacity of 21-megawatt peak (MWp). The installation is projected to be completed by January 2025, with a Capex of approximately RM100.0mn in FY25.

## Share Information

Bloomberg Code	SCI MK
Stock Code	4731
Listing	Main Market
Share Cap (mn)	1,551.3
Market Cap (RMmn)	6,499.9
52-wk Hi/Lo (RM)	4.5/3.44
12-mth Avg Daily Vol ('000 shrs)	583.5
Estimated Free Float (%)	33.0
Beta	0.7
<b>Major Shareholders (%)</b>	
Scientex Holdings & Related	41.3

## Forecast Revision

	FY25	FY26
Forecast Revision (%)	0.2	3.1
Net profit (RMm)	590.8	610.1
Consensus	599.3	642.0
TA's / Consensus (%)	98.6	95.0
Previous Rating	Buy (Maintained)	
Consensus Target Price (RM)	4.67	

## Financial Indicators

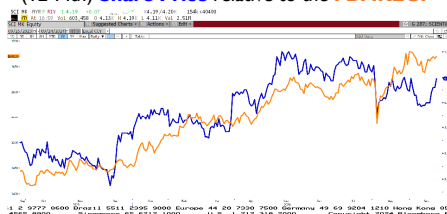
	FY25	FY26
Net debt/ equity (%)	11.9	8.3
ROE (%)	14.8	13.9
ROA (%)	9.2	8.9
NTA/Share (RM)	2.5	2.8
Price/ NTA (x)	1.7	1.5

## Scorecard

	% of FY	
vs TA	100	Within
vs Consensus	97	Within

## Share Performance (%)

Price Change	SCIENTX	FBM KLCI
1 mth	1.7	2.1
3 mth	(1.9)	5.1
6 mth	9.7	8.3
12 mth	11.1	15.2

 (12-Mth) Share Price relative to the **FBMKLCI**


Source: Bloomberg

- **Property.** In FY24, Scientex launched properties worth RM1.9bn, slightly lower than the RM2.1bn in FY23, owing to delays in obtaining approvals for various projects. Nevertheless, the group achieved an approximate 80% take-up rate, indicating resilient demand for affordable housing. For FY25, management aims for a higher GDV launch of over RM2.0bn, backed by its rich landbank of 10,277 acres (+41.6% YoY). Overall, we remain positive on the outlook, driven by i) unbilled sales of RM1.8bn for FY25, ii) a potential GDV value of RM50.0bn from its total landbank, and iii) an 80% take-up rate for launches in FY25. Thus, we anticipate a resilient EBIT margin of 30.8% for FY25F (vs. 27.6% in FY24).

### Valuation

- We maintained **Buy** on SCIENTEX with a revised TP of **RM5.48/share** (previously: RM5.41/share) based on Sum-of-Parts (SOP) valuation.

**Table I: FY24 Results Analysis**

FYE July (RM'mn)	4QFY23	3QFY24	4QFY24	QoQ (%)	YoY (%)	FY23	FY24	YoY (%)
Revenue	1,071.5	1,108.0	1,168.3	5.4	9.0	4,076.9	4,475.6	9.8
~ Manufacturing	619.7	656.9	651.3	(0.8)	5.1	2,626.2	2,594.5	(1.2)
~ Property	451.8	451.1	517.0	14.6	14.4	1,450.7	1,881.1	29.7
Interest Expense	(7.5)	(5.1)	(5.6)	(8.9)	25.9	(33.5)	(22.6)	32.6
Investing Results	4.1	4.1	5.3	31.7	28.9	12.6	14.9	18.5
Depreciation	(31.5)	(32.8)	(33.2)	(1.2)	(5.3)	(123.9)	(132.1)	(6.6)
EBITDA	180.5	212.4	210.4	(0.9)	16.6	713.5	868.6	21.7
Operating Profit	148.9	179.6	177.2	(1.3)	19.0	589.6	736.5	24.9
~ Manufacturing	24.3	58.4	45.2	(22.6)	86.3	184.0	218.0	18.5
~ Property	124.7	121.2	132.0	8.9	5.9	405.6	518.5	27.8
El	(21.5)	2.5	(4.0)	nm	nm	(25.5)	8.8	nm
Reported PBT	145.6	178.5	177.0	(0.9)	21.6	568.7	728.9	28.2
Taxation	(37.2)	(40.6)	(33.8)	16.9	9.2	(119.7)	(159.7)	(33.4)
Minority Interest	6.5	(7.4)	(7.3)	0.6	nm	(10.8)	(24.0)	>-100
Reported Profit	114.9	130.5	135.9	4.1	18.2	438.1	545.2	24.4
Adj. Net Profit	136.4	128.0	139.8	9.2	2.5	463.6	536.4	15.7
EPS (sen)	7.4	8.4	8.8	4.1	18.2	28.2	35.2	24.4
Adj EPS (sen)	8.8	8.3	9.0	9.2	2.5	29.9	34.6	15.7
DPS (sen)	5.0	6.0	6.0	0.0	20.0	10.0	12.0	20.0
				<b>%-pts</b>	<b>%-pts</b>			<b>%-pts</b>
EBIT Margin (%)	13.9	16.2	15.2	(1.0)	1.3	14.5	16.5	2.0
~ Manufacturing	3.9	8.9	6.9	(1.9)	3.0	7.0	8.4	1.4
~ Property	27.6	26.9	25.5	(1.3)	(2.1)	28.0	27.6	(0.4)
PBT Margin (%)	13.6	16.1	15.1	(1.0)	1.6	13.9	16.3	2.3
Core Net Margin (%)	12.7	11.6	12.0	0.4	(0.8)	11.4	12.0	0.6
Tax rate (%)	25.5	22.8	19.1	(3.7)	(6.5)	21.1	21.9	0.9

**Table 2: Earnings Summary**

FYE July (RM'mn)	FY22	FY23	FY24E	FY25F	FY26F
Revenue	3,985.3	4,076.9	4,475.6	4,642.4	4,972.4
EBIT	561.0	589.6	736.5	775.1	795.0
Reported PBT	548.3	568.7	728.9	772.9	794.3
Adj. PBT	555.7	594.1	720.1	772.9	794.3
Reported Net Profit	409.9	438.1	545.2	590.8	610.1
Adj. Net profit	417.2	463.6	536.4	590.8	610.1
Basic/Diluted EPS (sen)	26.4	28.2	35.1	38.1	39.3
Adj. EPS (sen)	26.9	29.9	34.6	38.1	39.3
PER (x)	16.2	14.8	11.9	11.0	10.7
Net Dividend (sen)	9.0	10.0	12.0	13.0	13.0
Dividend Yield (%)	2.1	2.4	2.9	3.1	3.1

**Table 3: Sum-of-Parts Valuation**

Segment	Valuation Method	Equity Value (RM mn)
Manufacturing	CY25 EPS PER 15x	3,473.1
Property	CY25 EPS PER 14x	5,142.6
Equity value (RM mn)		8,615.7
+ Proceed from Warrant Conversion (RM mn)		444.1
Total Equity Value (RM mn)		9,059.9
Share cap (mn)		1,551.3
+ Warrant Conversion (mn)		103.3
Enlarged Share Cap (mn)		1,654.6
+ ESG Premium:		-
<b>Target Price (RM)</b>		<b>5.48</b>

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### Sector Recommendation Guideline

**OVERWEIGHT:** The total return of the sector, as per our coverage universe, exceeds 12%.

**NEUTRAL:** The total return of the sector, as per our coverage universe, is within the range of 7% to 12%.

**UNDERWEIGHT:** The total return of the sector, as per our coverage universe, is lower than 7%.

### Stock Recommendation Guideline

**BUY :** Total return of the stock exceeds 12%.

**HOLD :** Total return of the stock is within the range of 7% to 12%.

**SELL :** Total return of the stock is lower than 7%.

**Not Rated:** The company is not under coverage. The report is for information only.

**Total Return of the stock** includes expected share price appreciation, adjustment for ESG rating and gross dividend. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

**Total Return of the sector** is market capitalisation weighted average of total return of the stocks in the sector.

### ESG Scoring & Guideline

	Environmental	Social	Governance	Average
<b>Scoring</b>	★★★	★★★★	★★★	★★★
<b>Remark</b>	Visible efforts in tracking and managing alongside promoting recycling awareness. However, score is muted due to often association of plastic packaging towards environmental pollution.	Notable initiatives to spearhead innovation over sustainable packaging materials and developing affordable housing. Besides, community enrichments programmes and employees' trainings are performed regularly.	The board is represented by 50% independent directors yet only has 1 female director. Scientex has targeted dividend payout of 30%.	

★★★★★ (≥80%)	: Displayed market leading capabilities in integrating ESG factors in all aspects of operations, management and future directions.	+5% premium to target price
★★★★ (60-79%)	: Above adequate integration of ESG factors into most aspects of operations, management and future directions.	+3% premium to target price
★★★ (40-59%)	: Adequate integration of ESG factors into operations, management and future directions.	No changes to target price
★★ (20-39%)	: Have some integration of ESG factors in operations and management but are insufficient.	-3% discount to target price
★ (<20%)	: Minimal or no integration of ESG factors in operations and management.	-5% discount to target price

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As of Wednesday, September 25, 2024, the analyst, Liew Yi Jiet, who prepared this report, has interest in the following securities covered in this report:  
(a) nil

**Kaladher Govindan – Head of Research**

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