

“Need to see a stronger recovery in plastic segment to re-rate the stock”

Share price performance



	1M	3M	12M
Absolute (%)	0.7	12.5	17.2
Rel KLCI (%)	1.0	16.8	7.3

	BUY	HOLD	SELL
Consensus	4	4	-

Source: Bloomberg

Stock Data

Sector	Plastics Packaging
Issued shares (m)	1,556.3
Mkt cap (RMm)/(US\$m)	7,003.2/1,567.5
Avg daily vol - 6mth (m)	0.7
52-wk range (RM)	3.7-4.68
Est free float	33.4%
Stock Beta	0.83
Net cash/(debt) (RMm)	(1,321.6)
ROE (CY25E)	14.0%
Derivatives	Nil
Shariah Compliant	Yes
FTSE4Good Constituent	Yes
FBM EMAS (Top 200)	Top 26-50%
ESG Risk Rating	18.4 (-0.7 yoy)

Key Shareholders

Scientex Holdings SB	20.9%
Scientex Leasing SB	11.2%
Scientex Infinity SB	9.1%

Source: Bloomberg, Affin Hwang, ESG Risk Rating
Powered by Sustainalytics, Bursa Malaysia

Low Jing Yuan

T (603) 2146 7489

E Jingyuan.low@affingroup.com

Scientex (SCI MK)

HOLD (maintain)

Up/Downside: -4.4%

Price Target: RM4.30

Previous Target (Rating): RM4.35 (HOLD)

Weak plastic segment drags earnings

- **Scientex's 1QFY25 results came in below expectations due to weaker-than-expected plastic segment**
- **Moving forward, the property arm is likely to remain the key earnings driver for the company, providing support amid headwinds in the plastic segment**
- **Maintain our HOLD call with a lower TP of RM4.30**

1Q25 results were below expectations, weaker-than-expected plastic segment

Scientex's 1QFY25 core earnings fell 6% yoy and 7% qoq to RM129.7m, falling short of both our and consensus expectations, mainly due to the weaker-than-expected plastic segment. The plastic segment was affected by the softer export demand as well as the sudden spike in the RM against the US\$ during the quarter as more than half of its plastic sales are derived from exports. EBIT margin for the segment contracted by about 2 ppt qoq and 3 ppt yoy due to unfavourable product mix and foreign exchange movements. Meanwhile, the property segment remained solid, delivering a 6% yoy EBIT growth, supported by the steady construction progress and strong take-up rates for its new launches.

Plastic segment remains challenging

Moving forward, we continue to see the property division as the key earnings driver for Scientex amid the ongoing challenges for its plastic segment. Demand for affordable housing continues to be strong, particularly among the low-to-middle income groups and Scientex is targeting launches worth of over RM2bn GDV in FY25, up from RM1.9bn launched in FY24. However, the plastic segment is still expected to be challenging as the competition remains intense and demand remains soft, particularly from the export market. We would need to see a stronger demand recovery in the plastic segment to re-rate the stock.

Maintain our HOLD call with a lower TP of RM4.30

We cut our earnings forecasts by 9-11% due to the weaker-than-expected plastic operation performance. We keep our **HOLD** rating with a **lower TP of RM4.30** after our earnings cut. We think Scientex's valuation is fair at present – trading at about 11.5x CY2025E PER, in line with its 5-year mean PER of 11.8x, especially given the challenges faced by the plastic segment. Upside/downside risks include fluctuation in resin and building material costs, and higher/lower sales across the packaging and property segments.

Earnings & Valuation Summary

FYE 31 Jul	2023	2024	2025E	2026E	2027E
Revenue (RMm)	4,076.9	4,550.6	4,774.1	5,045.4	5,267.1
EBITDA (RMm)	732.9	880.5	932.5	1,025.9	1,109.5
Pretax profit (RMm)	568.7	728.9	757.8	824.6	884.8
Net profit (RMm)	438.1	545.2	573.8	626.2	672.6
EPS (sen)	28.3	35.2	37.0	40.4	43.4
PER (x)	15.9	12.8	12.2	11.1	10.4
Core net profit (RMm)	462.4	549.2	573.8	626.2	672.6
Core EPS (sen)	29.8	35.4	37.0	40.4	43.4
Core EPS growth (%)	10.6	18.8	4.5	9.1	7.4
Core PER (x)	15.1	12.7	12.2	11.1	10.4
Net DPS (sen)	10.0	12.0	13.0	15.0	17.0
Dividend Yield (%)	2.2	2.7	2.9	3.3	3.8
EV/EBITDA	10.4	8.7	8.2	7.4	6.6
Chg in EPS (%)			-10.6	-10.3	-9.4
Affin/Consensus (x)			1.0	1.0	1.0

Source: Company, Affin Hwang estimates

Fig 1: Results Comparison

FYE Jul (RMm)	1Q24	4Q24	1Q25	QoQ % chg	YoY % chg	Comments
Revenue	1,106.5	1,168.3	1,109.4	(5.0)	0.3	Sales were mainly driven by the property segment
Op costs	(883.8)	(951.5)	(897.7)	(5.6)	1.6	
EBITDA	222.7	216.9	211.7	(2.4)	(5.0)	
<i>EBITDA margin (%)</i>	<i>20.1</i>	<i>18.6</i>	<i>19.1</i>	<i>0.5 ppt</i>	<i>-1 ppt</i>	
Depn and amort	(32.3)	(32.3)	(33.7)	4.5	4.5	
EBIT	190.4	184.6	178.0	(3.6)	(6.6)	
<i>EBIT margin (%)</i>	<i>17.2</i>	<i>15.8</i>	<i>16.0</i>	<i>0.2 ppt</i>	<i>-1.2 ppt</i>	Margin contracted due to reduced operating efficiency and unfavourable foreign exchange for the plastic segment
Int expense	(6.9)	(5.6)	(4.8)	(13.1)	(30.0)	
Int and other inc	1.0	2.0	3.5	75.6	258.9	
Exceptional items	0.3	(4.0)	(1.1)	(73.5)	(502.3)	Largely forex and disposal losses
Pretax profit	184.7	177.0	175.5	(0.8)	(5.0)	
Tax	(42.3)	(33.8)	(41.3)	22.3	(2.3)	
<i>Tax rate (%)</i>	<i>22.9</i>	<i>19.1</i>	<i>23.5</i>	<i>4.4 ppt</i>	<i>0.6 ppt</i>	
MI	(4.6)	(7.3)	(5.6)	(23.3)	22.0	
Net profit	137.8	135.9	128.6	(5.3)	(6.7)	
EPS (sen)	8.9	8.8	8.3	(5.4)	(6.7)	
Core net profit	137.6	139.9	129.7	(7.3)	(5.7)	Below our and consensus expectations

Source: Affin Hwang, Company

Fig 2: Segment comparison

FY July (RMm)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	qoq % chg	yoy % chg
Revenue	1,106.5	1,092.7	1,108.0	1,168.3	1,109.4	(5.0)	0.3
Packaging	650.4	635.8	656.9	651.3	625.7	(3.9)	(3.8)
Property	456.1	456.9	451.1	517.0	483.7	(6.4)	6.0
EBIT	188.5	191.3	179.6	177.2	176.9	(0.2)	(6.1)
Packaging	50.4	64.0	58.4	45.2	31.0	(31.5)	(38.6)
Property	138.0	127.3	121.2	132.0	145.9	10.5	5.7
<i>EBIT margin (%)</i>	<i>17.0</i>	<i>17.5</i>	<i>16.2</i>	<i>15.2</i>	<i>15.9</i>	<i>0.8 ppt</i>	<i>-1.1 ppt</i>
<i>Packaging (%)</i>	<i>7.8</i>	<i>10.1</i>	<i>8.9</i>	<i>6.9</i>	<i>5.0</i>	<i>-2 ppt</i>	<i>-2.8 ppt</i>
<i>Property (%)</i>	<i>30.3</i>	<i>27.9</i>	<i>26.9</i>	<i>25.5</i>	<i>30.2</i>	<i>4.6 ppt</i>	<i>-0.1 ppt</i>

Source: Affin Hwang, Company

Fig 3: Sum of Parts Valuation

Segment	Equity value (RMm)	Comment
Manufacturing	2,621.8	17x PE based on CY25E
Property	4,737.5	20% discount to RNAV
Total enterprise value (RMm)	7,365.6	
Net cash/(debt)	(678.5)	
Total equity value	6,749.7	
Share base (m)	1,551.1	
SOP TP (RM)	4.30	

Source: Affin Hwang forecast

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- In some cases, we may also charge a maximum of ¥ 2 million (including tax) per year as a standing proxy fee for our deposit of your securities, if you are a non-resident of Japan.
- For derivative and margin transactions etc., we may require collateral or margin requirements in accordance with an agreement made beforehand with you. Ordinarily in such cases, the amount of the transaction will be in excess of the required collateral or margin requirements.
- There is a risk that you will incur losses on your transactions due to changes in the market price of financial instruments based on fluctuations in interest rates, exchange rates, stock prices, real estate prices, commodity prices, and others. In addition, depending on the content of the transaction, the loss could exceed the amount of the collateral or margin requirements.
- There may be a difference between bid price etc. and ask price etc. of OTC derivatives handled by us.
- Before engaging in any trading, please thoroughly confirm accounting and tax treatments regarding your trading in financial instruments with such experts as certified public accountants. *The amount of the trading commission cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

When making an actual transaction, please be sure to carefully read the materials presented to you prior to the execution of agreement, and to take responsibility for your own decisions regarding the signing of the agreement with us.

Corporate Name: Daiwa Securities Co. Ltd.
 Financial instruments firm: chief of Kanto Local Finance Bureau (Kin-sho) No.108
 Memberships: Japan Securities Dealers Association, The Financial Futures Association of Japan,
 Japan Investment Advisers Association, Type II Financial Instruments Firms
 Association, Japan Security Token Offering Association

