

19 December 2024

## Scientex

### Lacklustre Plastic Performance

By Khoo Teng Chuan | [khootc@kenanga.com.my](mailto:khootc@kenanga.com.my)

**SCIENTX's 1QFY25 net profit declined 8% QoQ and 6% YoY but we deemed it within expectations. Higher property profits were offset by softer packaging contribution (which suffered adverse forex impact), and less favourable product mix (which should normalise moving ahead). Property take-up rates continue to be encouraging with more launches anticipated following recent active land acquisitions. We believe this will further cushion subdued packaging demand and margins. We maintain our forecasts, TP of RM4.15 and MARKET PERFORM call.**

SCIENTX's 1QFY25 core net profit met expectations. Although it made up 22% and 21% of our full-year forecasts and consensus estimates, we expect firmer packaging earnings and more property launches in the quarters ahead. No dividend was declared in the quarter as the group typically declares dividend in the 2H of its financial year.

**YoY**, its 1QFY25 turnover was flattish. The higher revenue from the property segment was largely offset by lower revenue from plastic packaging due to forex impact and still soft demand which also affected other players in the plastic packaging sector. Net profit saw a 6% decline, mainly attributable to tighter packaging margins. Recent currency firmness meant lower export prices in MYR terms but higher raw material costs when the MYR was weaker.

**QoQ**, top line was weaker by 5%, due to the above-mentioned reasons. Core net profit dropped by a sharper 8% given higher taxation charges compared to the preceding quarter.

**Outlook.** We expect earnings for its packaging segment to recover but staying soft as the forex impact normalizes, and overall demand staying muted. Nonetheless, expect some savings from a 21MWp solar photovoltaic (PV) system due to come into operations effective Jan 2025. On a brighter note, the sales of its affordable properties will continue to be resilient given strong take-up rates from recent launches. Meanwhile, the completed land acquisition in Muar (Johor), Kuala Selangor (Selangor), Seberang Perai (Penang) with a collective GDV of RM6.6b will likely provide earnings visibility to the group in the medium term.

**Forecasts.** Maintained.

**Valuations.** We maintain our TP of RM4.15. Our TP continues to value the packaging business at an unchanged 12x FY25F PER, a premium to sector's average forward PER of 10x to reflect its size and leadership as one of the largest players in the region. There is no ESG-based adjustment to our TP given its 3-star rating as appraised by us (see Page 5).

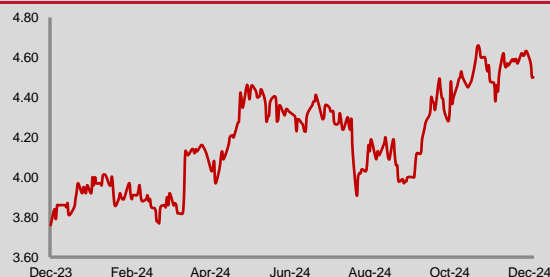
**Investment case.** We like SCIENTX for its competitiveness in the global plastic packaging industry thanks to its scale advantage, low-cost structure (especially, when compared to its overseas rivals), and strong foothold in the affordable housing segment, notably in Johor. We believe that its fundamentals are adequately reflected in current valuations after recent price appreciations. Hence, we maintain our **MARKET PERFORM** call.

**Risks to our call include:** (i) a sudden spike in resin prices, (ii) weak consumer demand for packaging materials due to prolonged global economic downturn, and (iii) high inflation, elevated mortgage rates and a weak job market, hurting demand for its properties.

## MARKET PERFORM ↔

**Price:** RM4.50  
**Target Price:** RM4.15 ↔

### Share Price Performance



KLCI 1,599.58  
YTD KLCI chg 10.0%  
YTD stock price chg 18.1%

### Stock Information

Shariah Compliant Yes  
Bloomberg Ticker SCI MK EQUITY  
Market Cap (RM m) 7,003.2  
Shares Outstanding 1,556.3  
52-week range (H) 4.68  
52-week range (L) 3.76  
3-mth avg. daily vol. 825,256  
Free Float 33%  
Beta 0.8

### Major Shareholders

Scientex Holdings Sdn Bhd 20.9%  
Scientex Infinity Sdn Bhd 11.2%  
Scientex Leasing Sdn Bhd 9.1%

### Summary Earnings Table

FYE Jul (RM m)	2024A	2025F	2026F
Turnover	4475.6	4917.7	5325.9
EBIT	736.5	796.7	857.5
PBT	728.9	776.6	833.8
<b>Net Profit (NP)</b>	<b>545.2</b>	<b>581.5</b>	<b>627.6</b>
<b>Core NP</b>	<b>538.0</b>	<b>581.5</b>	<b>627.6</b>
Consensus (NP)	-	551.3	603.0
Earnings Revision	-	-	-
Core EPS (sen)	34.7	37.5	40.5
Core EPS Growth (%)	16.6	8.1	7.9
NDPS (sen)	12.0	12.5	13.0
BVPS (RM)	2.4	2.7	3.0
Core PER (x)	12.9	12.0	11.1
PBV (x)	1.9	1.7	1.5
Net Gearing (x)	0.2	0.2	0.1
Net Div. Yield (%)	2.2	2.8	2.9

Financial Highlights					
FYE July (RM m)	1Q25	4Q24	QoQ Chg	1Q24	YoY Chg
Revenue	1109.4	1168.3	-5%	1106.5	0%
EBIT	176.9	180.7	-2%	188.0	-6%
Interest Income	3.5	5.3	-35%	3.2	8%
Finance Costs	-4.8	-5.6	-13%	-6.9	-30%
Exceptional Items	0.0	-3.5	-101%	0.4	-89%
PBT	175.5	177.0	-1%	184.7	-5%
Taxation	-41.3	-33.8	22%	-42.3	-2%
Minority Interest	-5.6	-7.3	-23%	-4.6	22%
<b>Net Profit</b>	<b>128.6</b>	<b>135.9</b>	<b>-5%</b>	<b>137.8</b>	<b>-7%</b>
<b>Core Net Profit</b>	<b>128.6</b>	<b>139.4</b>	<b>-8%</b>	<b>137.4</b>	<b>-6%</b>
Effective Tax Rate (%)	23.5	19.1		22.9	
EBIT Margin (%)	15.9	15.5		17.0	
PBT Margin (%)	15.8	15.1		16.7	
CNP Margin (%)	11.6	11.9		12.4	

Source: Company, Kenanga Research

Segmental Breakdown					
FYE July (RM m)	1Q25	4Q24	QoQ Chg	1Q24	YoY Chg
<b>Turnover</b>					
Packaging	625.7	651.3	-4%	650.4	-4%
Property	483.7	517.0	-6%	456.1	6%
<b>Group Turnover</b>	<b>1109.4</b>	<b>1168.3</b>	<b>-5%</b>	<b>1106.5</b>	<b>0%</b>
<b>EBIT</b>					
Packaging	31.0	45.2	-31%	50.4	-39%
Property	145.9	132.0	11%	138.0	6%
<b>Group EBIT</b>	<b>176.9</b>	<b>177.2</b>	<b>0%</b>	<b>188.5</b>	<b>-6%</b>
<b>EBIT Margin</b>					
Packaging	5.0%	6.9%		7.8%	
Property	30.2%	25.5%		30.3%	
<b>Group EBIT Margin</b>	<b>15.9%</b>	<b>15.2%</b>		<b>17.0%</b>	

Source: Company, Kenanga Research

SCIENTX's Sum-of-Parts Valuation		
Segment	Valuation (RM m)	Valuation Basis
Packaging	2,303	12x FY25 PER
Property	4,134	50% discount to RNAV (see the following table)
<b>Total</b>	<b>6,437</b>	
Paid-up Capital (m shares)	1,551	
<b>SoP per share / TP (RM)</b>	<b>4.15</b>	

Source: Kenanga Research

RNAV of SCIENTX's Property Development Projects		
Project	Outstanding GDV (RM m)	NPV of profit (RM m)
Scientex Tasek Gelugor	306	63
Scientex Ipoh	914	173
Scientex Rawang	691	131
Scientex Kundang Jaya	1,450	275
Scientex Seremban	857	162
Taman Muzaffar Heights	701	133
Scientex Durian Tunggal	416	86
Scientex Jasin & Scientex Bandar Jasin	5,051	776
Taman Scientex Pasir Gudang	227	47
Taman Scientex Kulai	282	58
Taman Mutiara Mas	1,166	179
Taman Scientex Senai	1,935	297
Scientex Pulau	3,177	488
Scientex Kota Tinggi	167	35
Scientex Sg Petani	500	95
Scientex Sungai Dua	1,700	261
Scientex Jenjarom	1,600	246
Scientex Cheras	2,900	445
Scientex Kulai	1,999	307
*Scientex Muar	1,333	205
*Scientex Bestari Jaya	2,238	344
*Scientex Jawi	3,083	474
*Scientex Pulau 4	2,543	391
	<b>35,236</b>	<b>5,671</b>
<b>Unbilled Sales (as of Jul-24)</b>	<b>1,800</b>	<b>390</b>
Property Shareholders Fund		2,206
<b>Total RNAV (RM m)</b>		<b>8,268</b>
Discount to RNAV (%)		50%
<b>Discounted RNAV</b>		<b>4,134</b>

Source: Kenanga Research, Company

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div. Yld.
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.				
<b>Stocks Under Coverage</b>																	
ANCOM NYLEX BHD	OP	1.00	1.50	50.0%	1,135.4	Y	05/2025	11.0	12.5	41.9%	13.5%	9.1	8.0	1.4	16.9%	2.0	2.0%
BM GREENTECH BHD	UP	1.74	1.36	-21.8%	1,196.8	Y	03/2025	8.0	9.0	22.3%	13.1%	21.8	19.3	3.3	15.8%	1.8	1.0%
BP PLASTICS HOLDINGS BHD	OP	1.20	1.42	18.3%	337.8	Y	12/2024	12.1	14.1	1.5%	16.8%	9.9	8.5	1.2	12.5%	6.5	5.4%
HPP HOLDINGS BHD	UP	0.440	0.390	-11.4%	170.9	Y	05/2025	2.2	3.0	107.3%	38.8%	20.1	14.5	1.3	6.8%	1.5	3.4%
KUMPULAN PERANGSANG SELANGOR	UP	0.670	0.450	-32.8%	360.0	Y	12/2024	2.0	4.4	158.5%	125.5%	34.0	15.1	0.3	1.0%	2.0	3.0%
SCIENTEX BHD	MP	4.50	4.15	-7.8%	7,003.2	Y	07/2025	37.5	40.5	8.1%	7.9%	12.0	11.1	1.6	13.9%	13.0	2.9%
SLP RESOURCES BHD	OP	0.880	1.00	13.6%	278.9	Y	12/2024	4.8	5.4	39.4%	12.5%	18.4	16.3	1.5	8.0%	4.8	5.5%
TECHBOND GROUP BHD	OP	0.390	0.540	38.5%	268.7	Y	06/2025	4.3	5.3	34.9%	23.2%	9.1	7.4	1.1	12.4%	1.3	3.2%
THONG GUAN INDUSTRIES BHD	OP	1.45	2.58	77.9%	582.4	Y	12/2024	20.8	23.4	2.5%	12.7%	7.0	6.2	0.6	8.6%	5.5	3.8%
<b>SECTOR AGGREGATE</b>					<b>11,334.1</b>					<b>25.8%</b>	<b>11.7%</b>	<b>12.4</b>	<b>11.1</b>	<b>1.4</b>	<b>11.0%</b>		<b>3.4%</b>

Source: Kenanga Research

This section is intentionally left blank

19 December 2024

**Stock ESG Ratings:**

	Criterion	Rating			
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★	★	★
	Community Investment	★	★	★	★
	Workers Safety & Wellbeing	★	★	★	
	Corporate Governance	★	★	★	
	Anti-Corruption Policy	★	★	★	
	Emissions Management	★	★	★	☆
<b>SPECIFIC</b>	Product Quality & Safety	★	★	★	
	Digitalisation & Innovation	★	★	★	★
	Effluent & Waste Management	★	★	★	
	Resource Management	★	★	★	★
	Supply Chain Management	★	★	★	
	Energy Efficiency	★	★	★	
<b>OVERALL</b>		★	★	★	

☆ denotes half-star  
 ★ -10% discount to TP  
 ★★ -5% discount to TP  
 ★★★ TP unchanged  
 ★★★★ +5% premium to TP  
 ★★★★★ +10% premium to TP

**Stock Ratings are defined as follows:**

**Stock Recommendations**

OUTPERFORM : A particular stock’s Expected Total Return is MORE than 10%  
 MARKET PERFORM : A particular stock’s Expected Total Return is WITHIN the range of -5% to 10%  
 UNDERPERFORM : A particular stock’s Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT : A particular sector’s Expected Total Return is MORE than 10%  
 NEUTRAL : A particular sector’s Expected Total Return is WITHIN the range of -5% to 10%  
 UNDERWEIGHT : A particular sector’s Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
 Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)

