

1Q25 below expectations

Quick Note

Scientex reported core net profit of MYR130mn (down 7% q-q and 5% y-y) owing to a weaker topline q-q, though flat y-y. Growth of the property division was fully offset by a decline in the packaging segment. With 1Q25 accounting for only 21% of our full-year forecasts, we deem this as a slight miss, but in line with consensus.

The decline in revenue (q-q and y-y) can be largely attributed to the weakening MYR amid soft exports demand for packaging. Utilisation rate was around 58% (from 59% in the previous quarter). We think overall volumes, although weaker q-q, are likely higher y-y considering that capacity was up 4% towards the second-half of FY24. Meanwhile, the property division saw lower q-q numbers owing to launch timings, while the y-y growth trend remains fairly resilient (+6% y-y). Unbilled sales as of 31 Oct stood at MYR1.7bn, with ongoing GDV currently at MYR3.9bn vs MYR3.6bn last year.

Only the property segment recorded y-y improvement of profitability on the back of its top-line growth. However overall operational profitability was dragged by the packaging segment which incurred higher costs (in MYR terms) given the lag effect of a stronger MYR impacting its inventory costing — essentially a timing mismatch between revenue and costs.

We maintain our earnings forecasts, as we expect the company's performance to normalise in 2Q25 considering the weaker MYR q-q so far, which should benefit earnings. Our FY25F earnings estimate of MYR626mn implies a 17% y-y increase in core earnings, which we think will continue to be driven by a recovery of its packaging division owing to higher volumes on the back of improved demand and utilization rate, as well as pricing.

Reiterate Buy

We maintain our target price of MYR5.0 (implying an FY25F P/E of 13x [+1 SD, premised on a WACC of 7.6%]) for the packaging division and a 20% discount to its RNAV. The stock currently trades at 11.9x FY25F P/E, in line with the historical average. Key downside risks are: 1) frail recovery of demand for packaging, 2) slow take-up of property sales, and 3) rising cost pressure. With 'US Re-shoring' being a post Trump election theme now, we expect the company's Arizona plant to potentially see increased business activities. Reiterate Buy.

Rating Remains	Buy
Target price Remains	MYR 5.00
Closing price 18 December 2024	MYR 4.50

Research Analysts

ASEAN Packaging

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Fig. 1: SCI: 1Q25 results review

	1Q24	4Q24	1Q25	%chg y-y		1Q24	1Q25	% chg	FY25	FY25 as %
				q-q	y-y			y-y		of FY25F
P&L statement										
Packaging	650	651	626	-4%	-4%	650	626	-4%	2,872	22%
Property	456	517	484	-6%	6%	456	484	6%	2,023	24%
Revenue	1,107	1,168	1,109	-5%	0%	1,107	1,109	0%	4,895	23%
Costs	(887)	(957)	(899)	-6%	1%	(887)	(899)	1%	(3,925)	23%
EBITDA	219	212	210	-1%	-4%	219	210	-4%	970	22%
Depreciation	(33)	(33)	(34)	2%	2%	(33)	(34)	2%	(130)	26%
EBIT	186	179	177	-1%	-5%	186	177	-5%	840	21%
Finance income	1	2	1	-33%	48%	1	1	48%	6	20%
Finance costs	(7)	(6)	(5)	-13%	-30%	(7)	(5)	-30%	(38)	13%
Share of results of associates	3	5	3	-35%	8%	3	3	8%	14	25%
PBT	183	180	177	-2%	-4%	183	177	-4%	823	21%
Tax	(42)	(34)	(41)	22%	-2%	(42)	(41)	-2%	(173)	24%
MI	(5)	(7)	(6)	-23%	22%	(5)	(6)	22%	(23)	24%
Core PATAMI	137	139	130	-7%	-5%	137	130	-5%	626	21%
EI	1	(3)	(1)	-70%	-175%	1	(1)	nm	-	nm
Reported PATAMI	138	136	129	-5%	-7%	138	129	-7%	626	21%
Margins (%)										
Core PATAMI	12.3%	11.9%	11.7%	-0.2pp	-0.7pp	12.3%	11.7%	-0.7pp	12.8%	-1.1pp
EBIT	16.8%	15.3%	15.9%	0.6pp	-0.9pp	16.8%	15.9%	-0.9pp	17.2%	-1.3pp
EBITDA	19.8%	18.1%	19.0%	0.8pp	-0.9pp	19.8%	19.0%	-0.9pp	19.8%	-0.9pp
Effective tax rate	23.1%	18.7%	23.4%	4.7pp	0.3pp	23.1%	23.4%	0.3pp	21.1%	2.3pp
Reported Segment Operating Profit										
Packaging	50	45	31	-31%	-39%	50	31	-39%		
Property	138	132	146	11%	6%	138	146	6%		
Total	188	177	177	0%	-6%	188	177	-6%		
Packaging margin	7.8%	6.9%	5.0%	-2pp	-2.8pp	7.8%	5.0%	-2.8pp		
Property margin	30.3%	25.5%	30.2%	4.6pp	-0.1pp	30.3%	30.2%	-0.1pp		
Total	17.0%	15.2%	15.9%	0.8pp	-1.1pp	17.0%	15.9%	-1.1pp		

Source: Company data, Nomura estimates

Appendix A-1

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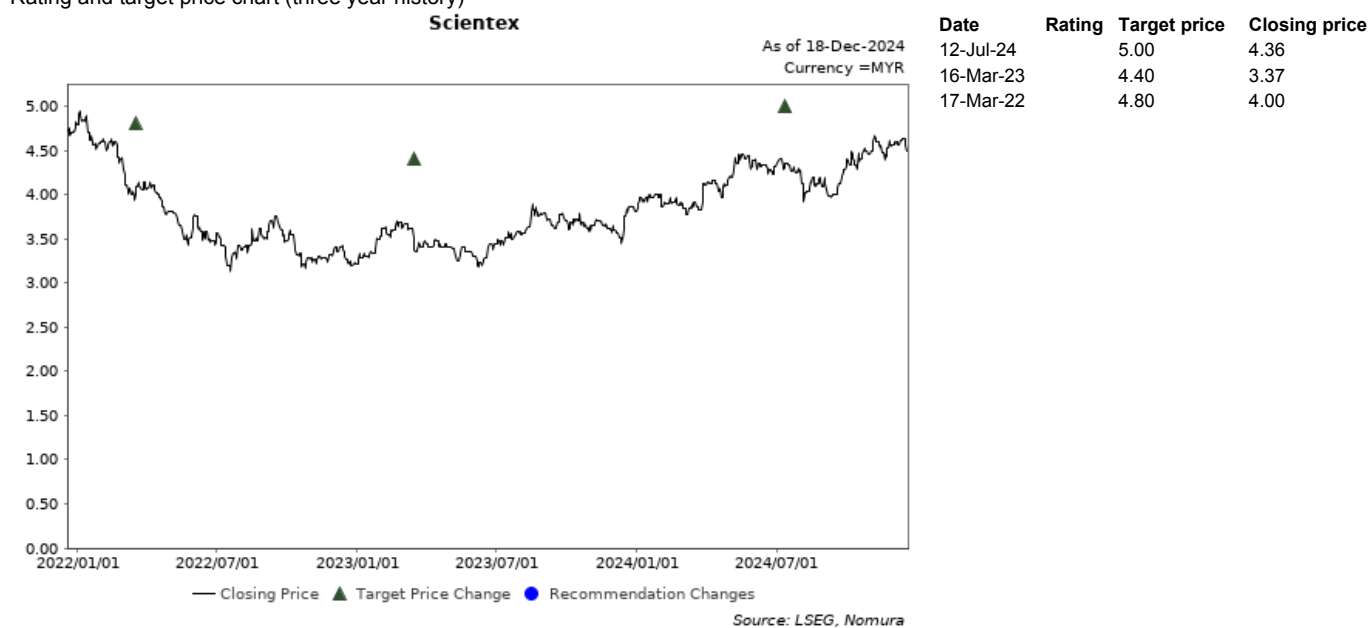
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Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Scientex	SCI MK	MYR 4.50	18-Dec-2024	Buy	N/A	

Scientex (SCI MK)

MYR 4.50 (18-Dec-2024) Buy (Sector rating: N/A)

Rating and target price chart (three year history)



For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology We value Scientex on an SOTP basis. The Packaging division is valued on a DCF basis, discounting free cash flows to the firm by a 7.6% WACC and incorporating a long term growth rate for Malaysia of 1.5%. We value the Property division at a 20% discount to RNAV. This derives a target price of MYR5.00. The benchmark index for this stock is the FBMKLCI index.

Risks that may impede the achievement of the target price Downside risks to our target price: 1) frail recovery in demand for packaging, 2) slow take up in property sales and 3) rising cost pressure.

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As at 30 September 2024.

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