

Scientex Berhad

TP: RM5.48 (+21.8%)
Growth Buoyed by Resilient Property Division

Last Traded: RM4.50

Buy (ESG: ★★★)

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Review

- Scientex Berhad's (Scientex) IQFY25 core earnings of RM128.6mn were in line with both ours and consensus' estimates, representing 22% and 21% of the full-year forecasts, respectively.
- IQFY25 turnover remained steady at RM1.1bn compared to the previous year. However, quarterly core earnings declined by 5.8% YoY, primarily due to weaker performance in the manufacturing segment
- Manufacturing segment.** IQFY25 segmental revenue declined by 3.8% YoY, impacted by unfavourable foreign exchange rates and weaker demand in export markets. The soft demand led to a 38.6% YoY decline in segmental EBIT to RM31.0mn, driven by lower turnover and an unfavourable product mix. Consequently, the EBIT margin fell by 2.8%-pts YoY to 5.0%.
- Property segment.** The property segment partially offset the weak performance of the manufacturing segment. Segmental EBIT rose by 5.7% YoY to RM145.9mn, in line with a revenue growth of 6.0% YoY to RM483.7mn. These improvements were primarily driven by steady progress billings across Johor, Melaka, Central, and Northern regions, as well as stronger take-up rates for ongoing projects in Sungai Petani, Sungai Dua, Jenjarom, Pulau, and Bandar Jasin
- Sequentially, quarterly revenue dropped by 5.0% QoQ from the record-high sales of RM1.2bn in 4QFY24. Despite the decline in topline, quarterly PBT decreased marginally by 0.8% QoQ to RM175.5mn, supported by the resilience of the property segment. Notably, the property segment's EBIT margin improved by 4.6%-pts QoQ to 30.2% in IQFY25.
- No dividend was declared for the quarter under review.

Impact

- No changes to our earnings estimates.

Outlook

- Manufacturing.** Management indicated that the manufacturing segment continues to face challenges. However, Scientex remains committed to offering value-added, sustainable, and recyclable packaging solutions to its customers.
- Property.** Going forward, the group remains optimistic about its property segment, driven by rising demand for affordable housing, a strong landbank of 10,277 acres, and an ongoing gross development value (GDV) of RM3.9bn.

Valuation

- Maintain **Buy** on SCIENTX with an unchanged TP of **RM5.48/share**, based on a Sum-of-Parts (SOP) valuation.

Share Information

Bloomberg Code	SCI MK
Stock Code	4731
Listing	Main Market
Share Cap (mn)	1,556.3
Market Cap (RMmn)	7,003.4
52-wk Hi/Lo (RM)	4.68/3.7
12-mth Avg Daily Vol ('000 shrs)	701.0
Estimated Free Float (%)	33.4
Beta	0.7
Major Shareholders (%)	
Scientex Holdings & Related	41.2

Forecast Revision

	FY25	FY26
Forecast Revision (%)	-	-
Net profit (RMm)	590.8	610.2
Consensus	603.0	649.1
TA's / Consensus (%)	98.0	94.0
Previous Rating	Buy (Maintained)	
Consensus Target Price (RM)	4.76	

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)	1.8	1.6

Scorecard

	% of FY	
vs TA	22	Within
vs Consensus	21	Within

Share Performance (%)

Price Change	SCIENTX	FBM KLCI
1 mth	0.7	(0.3)
3 mth	12.5	(3.7)
6 mth	4.4	(0.4)
12 mth	17.2	9.2

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

Table 1: IQFY25 Results Analysis

FYE July (RM'mn)	1QFY24	4QFY24	1QFY25	QoQ (%)	YoY (%)
Revenue	1,106.5	1,168.3	1,109.4	(5.0)	0.3
~ Manufacturing	650.4	651.3	625.7	(3.9)	(3.8)
~ Property	456.1	517.0	483.7	(6.4)	6.0
Interest Expense	(6.9)	(5.6)	(4.8)	13.1	30.0
Investing Results	3.2	5.3	3.5	(34.8)	8.3
Depreciation	(33.1)	(33.2)	(33.7)	(1.6)	(1.9)
EBITDA	221.6	210.4	210.6	0.1	(4.9)
Operating Profit	188.5	177.2	176.9	(0.2)	(6.1)
~ Manufacturing	50.4	45.2	31.0	(31.5)	(38.6)
~ Property	138.0	132.0	145.9	10.5	5.7
EI	1.3	(4.0)	0.0	nm	(97.3)
Reported PBT	184.7	177.0	175.5	(0.8)	(5.0)
Taxation	(42.3)	(33.8)	(41.3)	(22.3)	2.3
Minority Interest	(4.6)	(7.3)	(5.6)	23.3	(22.0)
Reported Profit	137.8	135.9	128.6	(5.3)	(6.7)
Adj. Net Profit	136.5	139.8	128.6	(8.1)	(5.8)
EPS (sen)	8.9	8.8	8.3	(5.3)	(6.7)
Adj EPS (sen)	8.8	9.0	8.3	(8.1)	(5.8)
DPS (sen)	0.0	6.0	0.0	>-100	nm
				%-pts	%-pts
EBIT Margin (%)	17.0	15.2	15.9	0.8	(1.1)
~ Manufacturing	7.8	6.9	5.0	(2.0)	(2.8)
~ Property	30.3	25.5	30.2	4.6	(0.1)
PBT Margin (%)	16.7	15.1	15.8	0.7	(0.9)
Core Net Margin (%)	12.3	12.0	11.6	(0.4)	(0.7)
Tax rate (%)	22.9	19.1	23.5	4.4	0.6

Table 2: Earnings Summary

FYE July (RM'mn)	FY23	FY24	FY25E	FY26F	FY27F
Revenue	4,076.9	4,475.6	4,642.4	4,972.4	5,238.3
Gross Profit	889.5	1,008.9	1,104.3	1,190.1	1,276.0
EBITDA	713.5	868.6	901.3	923.1	993.9
EBIT	589.6	736.5	774.8	794.7	863.6
Reported PBT	568.7	728.9	772.9	794.3	866.7
Adj. PBT	594.1	720.1	772.9	794.3	866.7
Reported Net Profit	438.1	545.2	590.8	610.2	663.7
Adj. Net profit	463.6	536.4	590.8	610.2	663.7
Basic/Diluted EPS (sen)	28.2	35.0	38.0	39.2	42.6
Adj. EPS (sen)	29.8	34.5	38.0	39.2	42.6
PER (x)	16.0	12.8	11.9	11.5	10.6
Net Dividend (sen)	10.0	12.0	13.0	13.0	15.5
Dividend Yield (%)	2.2	2.7	2.9	2.9	3.4

Table 3: Sum-of-Parts Valuation

Segment	Valuation Method	Equity Value (RM mn)
Manufacturing	CY25 EPS PER 15x	3,473.4
Property	CY25 EPS PER 14x	5,142.5
Equity value (RM mn)		8,615.9
+ Proceed from Warrant Conversion (RM mn)		444.1
Total Equity Value (RM mn)		9,060.0
Share cap (mn)		1,551.3
+ Warrant Conversion (mn)		103.3
Enlarged Share Cap (mn)		1,654.6
+ ESG Premium:		-
Target Price (RM)		5.48

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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
Scoring	★★★	★★★★	★★★	★★★
Remark	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 Thursday, December 19, 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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