

“Plastic still looks challenging”

Share price performance



	1M	3M	12M
Absolute (%)	-15.7	-25.7	-10.6
Rel KLCI (%)	-9.0	-19.8	-6.5

	BUY	HOLD	SELL
Consensus	5	3	-

Source: Bloomberg

Stock Data

Sector	Plastics Packaging
Issued shares (m)	1,556.3
Mkt cap (RMm)/(US\$m)	5,353.6/1,210.1
Avg daily vol - 6mth (m)	0.7
52-wk range (RM)	3.4-4.68
Est free float	33.3%
Stock Beta	0.98
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 (-0.6 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

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Scientex (SCI MK)

HOLD (maintain)

Up/Downside: +7.6%

Price Target: RM3.70

Previous Target (Rating): RM4.30

Plastic division was a drag again

- **Scientex's 2QFY25 results came in below expectations due to weaker-than-expected contribution from the plastic segment**
- **While the plastic segment is still expected to be challenging, strong demand for affordable housing in the property segment should provide some support to the company**
- **Maintain HOLD call with a lower TP of RM3.70**

2Q25 results were below expectations, weaker-than-expected plastic segment

Scientex missed both our and consensus expectations for the second consecutive quarter due to weaker-than-expected earnings from the plastic segment, which contributes to 21% of earnings. Earnings declined both 3% qoq and 11% yoy to RM126m in this quarter. The property division remained relatively stable, supported by higher sales and steady construction progress. However, the plastic segment was the drag on overall performance due to the challenging export market, particularly in the industrial segment. While volume was relatively stable (UTR: 59%), the decline in ASPs amid stiff competition has led to margin compression, thus impacting the profitability.

Plastic segment remains challenging

While there was a qoq improvement in the plastic margins due to Scientex's cost saving efforts and efficiency improvements, the outlook for the segment remains challenging. The market has seen an influx of new capacity, particularly from China, while demand remains soft. Therefore, Scientex is currently focused on maintaining its volume and market share though the ASP may continue to face pressure. That said, the property segment should provide some support amid the challenging plastic segment as demand for affordable housing continues to be strong, particularly among the low-to-middle income groups.

Maintain our HOLD call with a lower 12-month TP of RM3.70

We cut our earnings forecasts by 6-9% due to the weaker-than-expected plastic operation performance. We keep our **HOLD** rating with a **lower SOP-based TP of RM3.70** after our earnings cut and reduce our target PE for plastic from 17x to 15.5x to account for the weakness in the segment. We would need to see a turnaround in the plastic segment for a re-rating of the stock. 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	4,627.5	4,892.1	5,260.1
EBITDA (RMm)	732.9	880.5	870.4	975.5	1,064.6
Pretax profit (RMm)	568.7	728.9	695.2	772.9	838.0
Net profit (RMm)	438.1	545.2	525.1	586.1	635.7
EPS (sen)	28.3	35.2	33.9	37.8	41.0
PER (x)	12.2	9.8	10.2	9.1	8.4
Core net profit (RMm)	462.4	549.2	525.1	586.1	635.7
Core EPS (sen)	29.8	35.4	33.9	37.8	41.0
Core EPS growth (%)	10.6	18.8	-4.4	11.6	8.5
Core PER (x)	11.5	9.7	10.2	9.1	8.4
Net DPS (sen)	10.0	12.0	13.0	15.0	17.0
Dividend Yield (%)	2.9	3.5	3.8	4.4	4.9
EV/EBITDA	8.2	6.9	6.9	6.2	5.5
Chg in EPS (%)			-8.5	-6.4	-5.5
Affin/Consensus (x)			0.9	0.9	0.9

Source: Company, Affin Hwang estimates

Fig 1: Results Comparison

FYE Jul (RMm)	2Q24	1Q25	2Q25	QoQ % chg	YoY % chg	6M24	6M25	YoY % chg	Comments
Revenue	1,092.7	1,109.4	1,105.1	(0.4)	1.1	2,199.2	2,214.6	0.7	6MFY25: Growth driven by property sales
Op costs	(867.0)	(897.7)	(893.7)	(0.4)	3.1	(1,750.8)	(1,791.4)	2.3	
EBITDA	225.7	211.7	211.5	(0.1)	(6.3)	448.4	423.2	(5.6)	
<i>EBITDA margin (%)</i>	<i>20.7</i>	<i>19.1</i>	<i>19.1</i>	<i>0.1 ppt</i>	<i>-1.5 ppt</i>	<i>20.4</i>	<i>19.1</i>	<i>-1.3 ppt</i>	Margins dropped due to weaker plastic margins
Dep and amort	(32.9)	(33.7)	(34.5)	2.1	4.7	(65.2)	(68.2)	4.6	
EBIT	192.8	178.0	177.0	(0.5)	(8.2)	383.2	355.0	(7.4)	
<i>EBIT margin (%)</i>	<i>17.6</i>	<i>16.0</i>	<i>16.0</i>	<i>0 ppt</i>	<i>-1.6 ppt</i>	<i>17.4</i>	<i>16.0</i>	<i>-1.4 ppt</i>	
Int expense	(5.0)	(4.8)	(4.8)	(1.5)	(3.9)	(11.9)	(9.6)	(19.1)	
Int and other inc	1.1	3.5	3.0	(12.6)	173.6	2.1	6.5	213.3	
Exceptional items	(0.3)	(1.1)	(1.7)	64.4	489.9	(0.0)	(2.8)	8,675.0	
Pretax profit	188.7	175.5	173.5	(1.1)	(8.0)	373.4	349.0	(6.5)	
Tax	(43.0)	(41.3)	(40.4)	(2.2)	(6.0)	(85.3)	(81.7)	(4.2)	
<i>Tax rate (%)</i>	<i>22.8</i>	<i>23.5</i>	<i>23.3</i>	<i>-0.2 ppt</i>	<i>0.5 ppt</i>	<i>22.8</i>	<i>23.4</i>	<i>0.6 ppt</i>	
MI	(4.7)	(5.6)	(9.2)	62.9	97.1	(9.3)	(14.8)	59.7	
Net profit	141.0	128.6	123.9	(3.6)	(12.1)	278.9	252.6	(9.4)	
EPS (sen)	9.1	8.3	8.0	(3.6)	(12.1)	18.0	35.2	95.5	
Core net profit	141.3	129.7	125.7	(3.1)	(11.1)	278.9	255.4	(8.4)	Below our and consensus forecasts

Source: Affin Hwang, Company

Fig 2: Segment comparison

FY July (RMm)	2QFY24	1QFY25	2QFY25	qoq % chg	yoy % chg	6M24	6M25	yoy % chg
Revenue	1,092.7	1,109.4	1,105.1	(0.4)	1.1	2,199.2	2,214.6	0.7
Packaging	635.8	625.7	630.7	0.8	(0.8)	1,286.2	1,256.5	(2.3)
Property	456.9	483.7	474.4	(1.9)	3.8	913.0	958.1	4.9
EBIT	191.3	176.9	175.2	(0.9)	(8.4)	379.7	352.1	(7.3)
Packaging	64.0	31.0	42.1	36.0	(34.1)	114.4	73.1	(36.1)
Property	127.3	145.9	133.1	(8.8)	4.5	265.3	279.0	5.2
<i>EBIT margin (%)</i>	<i>17.5</i>	<i>15.9</i>	<i>15.9</i>	<i>-0.1 ppt</i>	<i>-1.6 ppt</i>	<i>17.3</i>	<i>15.9</i>	<i>-1.4 ppt</i>
<i>Packaging (%)</i>	<i>10.1</i>	<i>5.0</i>	<i>6.7</i>	<i>1.7 ppt</i>	<i>-3.4 ppt</i>	<i>8.9</i>	<i>5.8</i>	<i>-3.1 ppt</i>
<i>Property (%)</i>	<i>27.9</i>	<i>30.2</i>	<i>28.1</i>	<i>-2.1 ppt</i>	<i>0.2 ppt</i>	<i>29.1</i>	<i>29.1</i>	<i>0.1 ppt</i>

Source: Affin Hwang, Company

Fig 3: Sum of Parts Valuation

Segment	Equity value (RMm)	Comment
Manufacturing	2,338.7	15.5x PE based on CY25E
Property	4,125.3	30% discount to RNAV
Total enterprise value (RMm)	6,464.1	
Net cash/(debt)	(727.0)	
Total equity value	5,737.1	
Share base (m)	1,551.1	
SOP TP (RM)	3.70	

Source: Affin Hwang forecast

Important Disclosures and Disclaimer

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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