

Scientex Berhad (SCI MK)

Below

HOLD

Share Price RM3.44
Target Price RM3.81 +10.8%

Industrial Packaging Segment Limits Growth

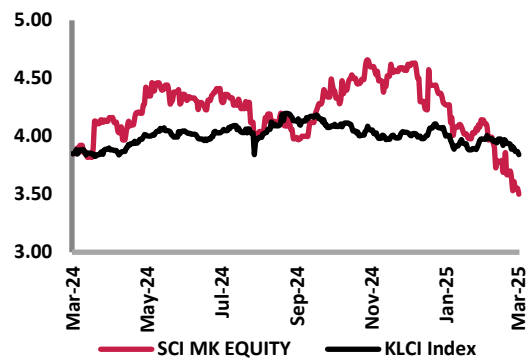
• **Key Highlight.** 2QFY25 revenue and EBITDA declined by 0.4% QoQ and 0.8% QoQ respectively, due to a subdued contribution from the Property segment where revenue and operating profit (OP) declined by 1.9% QoQ and 8.8% QoQ respectively. As for 1HFY25, revenue inched up by 0.7% YoY, but EBITDA declined by 8.6% YoY due to a massive decline in the Packaging segment's OP (-36.1% YoY). The subdued performance of the Packaging segment was largely due to compressed margins in the industrial packaging segment, due to lower ASP following overcapacity in the global market amid subdued demand. Meanwhile, ASP for consumer packaging remained relatively stable with better demand. In the Property segment, RM1bn GDV was launched in 1HFY25, comprising 3,077 units across 13 launches in Kedah, Penang, Ipoh, Selangor, Melaka and Johor. Besides, the total unbilled sales as of 1HFY25 stand at RM1.7bn.

• **Forecast.** We cut our FY25/26/27F earnings forecast by 14.5%/46.7%/10.8% to RM499.4mn/RM557.4mn/ RM630.5mn to account for lower margin.

• **Outlook.** The Group focuses on boosting productivity in Packaging by optimizing manpower, reducing waste and downtime, improving energy efficiency, enhancing product consistency, and increasing market agility. In the Property segment, Scientex aims to leverage strong demand for affordable housing in Peninsular Malaysia, supported by planned developments and upcoming launches. We maintain a positive outlook on the Property segment, with earnings growth expected to be driven by portfolio expansion and strategic land acquisitions. However, we remain cautious on the Packaging segment, where softer demand particularly in industrial packaging, which may pose challenges to growth.

• **Maintain HOLD (TP: RM3.81).** Scientex's 1HFY25 core PATAMI of RM250mn was below both our in-house and market expectations, making up only 42.8% and 42.9% of the full-year forecasts respectively. The lower-than-expected deviation was due to higher operating costs particularly from Packaging segment. We maintain a **HOLD** call on Scientex with lower **TP of RM3.81** (from RM4.50) previously following our earnings downgrade. Overall, we believe Scientex's business performance to be driven by: - i) organic expansion and M&A activities for potential long-term growth, ii) strong position as an affordable housing developer, and iii) high commitment to sustainability and the environment through its plastic product offerings.

Price Chart (RM)



Share Performance (%)	1m	3m	12m
Absolute	(15.7)	(24.7)	(8.1)
vs FBM KLCI	(7.1)	(19.5)	(8.6)

Stock Data

ESG Rating	Good
Mkt Cap (RM mn)	5,353.6
Adjusted beta	1.0
Free float (%)	58.6
Issued shares (mn)	1556.3
52w H/L (RM)	4.68 / 3.4
3m avg daily volume	499,700

Major Shareholders (%)

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

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Table 1: Quarterly Figures

Scientex Berhad FYE 31 July (RM mn)	Quarterly			Change (%)		Cumulative		YTD YTD Chg	BIMB	
	2QFY24	1QFY25	2QFY25	QoQ Chg	YoYChg	FY24	FY25		BIMB	6M/F
Revenue	1092.7	1109.4	1105.1	-0.4%	1.1%	2199.2	2214.6	0.7%	4882.4	45.4%
EBITDA	231.4	208.3	206.5	-0.8%	-10.7%	454.0	414.8	-8.6%	939.3	44.2%
Pretax profit	188.7	175.5	173.5	-1.1%	-8.0%	373.4	349.0	-6.5%	802.2	43.5%
Taxation	-43.0	-41.3	-40.4	-2.2%	-6.0%	-85.3	-81.7	-4.2%	-192.5	42.4%
Core Net Profit	149.4	127.6	122.3	-4.1%	-18.1%	289.2	250.0	-13.6%	584.0	42.8%
Core EPS (sen)	9.6	8.2	7.9	-4.4%	-18.4%	191.4	16.1	-91.6%	37.6	42.7%
				chg (ppts)				ppts		
EBITDA margin (%)	21.2%	18.8%	18.7%	-0.1	-2.5	20.6%	18.7%	-1.9	19.2%	
PBT margin (%)	17.3%	15.8%	15.7%	-0.1	-1.6	17.0%	15.8%	-1.2	16.4%	
Core Net profit margin (%)	13.7%	11.5%	11.1%	-0.4	-2.6	13.2%	11.3%	-1.9	12.0%	
Effective tax rate (%)	22.8%	23.5%	23.3%	-0.2	0.5	22.8%	23.4%	0.6	24.0%	

Source: BIMB Securities, Company

Table 2: Segmental Breakdown

Scientex Berhad FYE 31 July (RM mn)	Quarterly		Change (%)		Cumulative		YTD	
	2QFY24	1QFY25	2QFY25	QoQ Chg	YoYChg	FY24	FY25	YTD Chg
Revenue	1092.7	1109.4	1105.1	-0.4%	1.1%	2,199.2	2214.5	0.7%
Packaging	635.8	625.7	630.7	0.8%	-0.8%	1,286.2	1256.5	-2.3%
Property	456.9	483.7	474.4	-1.9%	3.8%	913.0	958.1	4.9%
Operating Profit	191.6	176.6	175.6	-0.6%	-8.3%	379.7	351.8	-7.4%
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%
				chg (ppts)				chg (ppts)
Operating Margin (%)	17.5%	15.9%	15.9%	0.0	-1.6	17.3%	15.9%	-1.4
Packaging (%)	10.1%	5.0%	6.7%	1.7	-3.4	8.9%	5.8%	-3.1
Property (%)	27.9%	30.2%	28.1%	-2.1	0.2	29.1%	29.1%	0.1

Source: BIMB Securities, Company

Table 3: Sum-of-Parts (SOP) Valuation

			Segment Value (RM mn)	Comment
Packaging	FY26F Operating Profit (RM mn)	Target PER (x)	2,168.4	Peer's weighted average PER
	180.7	12.0		
Property	RNAV	6,325	4,427.3	30% discount to Property RNAV
	(-) discount	(1,897)		
	Sub-total		6,595.7	
	Net debts		(680.7)	
	Total Equity value		5,915.0	
	Share cap (mn)		1,551.0	
	Target Price (RM)		3.81	
	Implied FY25 PER		11.8	

Source: Bloomberg, BIMB Securities

Table 4: Earnings Forecast

FYE July (RM mn)	FY23	FY24	FY25F	FY26F	FY27F
Turnover	4,076.9	4,475.6	4,882.4	5,085.9	5,362.1
EBITDA	714.5	868.6	823.0	900.2	1,006.6
Pretax Profit	568.7	728.9	686.0	765.7	866.1
Core Net Profit	462.5	535.7	499.4	557.4	630.5
Consensus NP			583.0	637.9	678.6
Core EPS (sen)	29.8	34.5	32.2	35.9	40.6
PER (x)	11.5	10.0	10.7	9.6	8.5
BVPS (sen)	2.3	2.6	2.8	3.1	3.4
P/B (x)	1.5	1.3	1.2	1.1	1.0
DPS (sen)	10.0	6.0	9.0	10.0	12.0
D. Yield (%)	2.6	1.6	2.4	2.6	3.1
		Key Ratios (%)			
ROE	13.6	14.2	12.1	12.3	12.7
EBITDA margin	17.5	19.4	16.9	17.7	18.8
Pretax margin	13.9	16.3	14.1	15.1	16.2
Core PATAMI margin	11.3	12.0	10.2	11.0	11.8

Source: Bloomberg, BIMB Securities

DEFINITION OF RATINGS

BIMB Securities uses the following rating system:

STOCK RECOMMENDATION

BUY	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
TRADING BUY	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
HOLD	Share price may fall within the range of +/- 10% over the next 12 months
TAKE PROFIT	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
TRADING SELL	Share price may fall by more than 15% in the next 3 months.
SELL	Share price may fall by more than 10% over the next 12 months.
NOT RATED	Stock is not within regular research coverage.

SECTOR RECOMMENDATION

OVERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
NEUTRAL	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
UNDERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

Applicability of ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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