

13 March 2025

## Scientex

### Challenging Outlook for Packaging

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SCIENTX's 1HFY25 result disappointed as net profit fell by 6% YoY mainly on margins compression in the packaging segment largely impacted by increasing market competition. We reduce our FY25F-FY26F earnings by 9% and 15%, respectively, on concerns of intensifying competition for the plastic packaging market where margins may continue to be under pressure. Amidst global tariffs uncertainties, we have also revised downward our PER valuation on its plastic packaging business from 12x to 8x following management's latest guidance of a continuous challenging outlook for the segment. We tone down our TP to RM3.60 from RM4.24 (-15%) and maintain MARKET PERFORM call.

SCIENTX's 1QFY25 core net profit was below expectations, making up 44% each of our full-year forecast and consensus estimate. The shortfall was due to lower operating profit from the packaging segment caused by increased market competition. No dividend was declared in the quarter as the group typically declares dividend in the 2H of its financial year.

YoY, 1HFY25 turnover was flattish as higher contribution from property segment was offset by softer industrial films exports due to intensified competition (66% export market and 34% domestic market). Net profit was lower by 6% on margins compression arising from lower ASP.

2QFY25's topline maintained on the above-mentioned reasons. However, net profit declined 3% due to higher minority interest. Nonetheless, we continue to see encouraging take up rates in new launches in Pulai and Senai (Johor), Sungai Dua (Penang), Ipoh (Perak), Jenjarom (Selangor) and Jasin (Melaka).

**Outlook.** Management had, during its latest briefing, guided on a continuous challenging outlook for its plastic packaging segment. Given global economic uncertainties, aggressive competition in the market, and weak momentum in resin price, we expect the group's plastic packaging segment to face more headwinds going forward. For its property division, we remain confident that the sales of its affordable properties will continue to be resilient given strong take-up rates from recent launches. The group's current unbilled sales stood at RM1.7b. We remain positive that the ongoing progresses of Johor-Singapore SEZ will augur well with SCIENTX's land banks and new launches in the southern part of Johor.

**Forecasts.** We reduce our FY25-26F earnings by 9-15% to reflect potential further margins compression in the packaging segment due to increasing market competition from other plastic producers both locally and regionally.

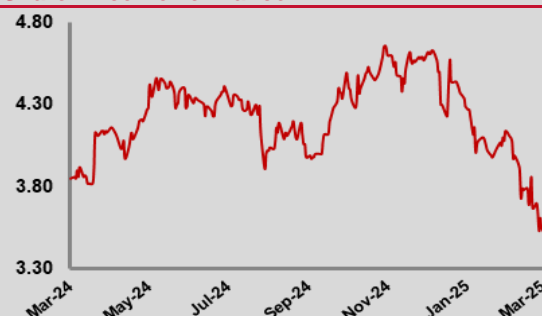
**Valuations.** We cut our TP by 15% from RM4.24 to RM3.60. We lower our valuation on the packaging business to 8x FY25F PER, a discount to the sector's average forward PER of 10x amidst tariffs uncertainties and management's latest guidance of a continuous challenging outlook for the segment. There 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. Maintain MARKET PERFORM call.

## MARKET PERFORM ↔

Price: RM3.44  
Target Price: RM3.60 ↓

### Share Price Performance



KLCI	1,484.83
YTD KLCI chg	-9.6%
YTD stock price chg	-22.5%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SCI MK EQUITY
Market Cap (RM m)	5,353.6
Shares Outstanding	1,556.3
52-week range (H)	4.68
52-week range (L)	3.40
3-mth avg. daily vol.	499,700
Free Float	33%
Beta	1.0

### Major Shareholders

Scientex Holdings SdnBhd	20.9%
Scientex Infinity SdnBhd	11.4%
Scientex Leasing SdnBhd	9.1%

### Summary Earnings Table

FYE Jul (RM m)	2024A	2025F	2026F
Turnover	4475.6	4589.6	4762.3
EBIT	736.5	725.2	733.4
PBT	728.9	695.1	699.0
<b>Net Profit (NP)</b>	<b>545.2</b>	<b>520.5</b>	<b>526.2</b>
<b>Core NP</b>	<b>538.0</b>	<b>520.5</b>	<b>526.2</b>
Consensus (NP)	-	583.0	637.9
Earnings Revision	-	-9%	-15%
Core EPS (sen)	34.7	33.6	33.9
Core EPS Growth (%)	16.6	-3.3	1.1
NDPS (sen)	12.0	11.2	10.9
BVPS (RM)	2.4	2.7	2.9
Core PER (x)	10.4	10.7	10.6
PBV (x)	1.5	1.4	1.2
Net Gearing (x)	0.2	0.3	0.2
Net Div. Yield (%)	3.3	3.1	3.0

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**Risks 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.

**Financial Highlights**

FYE July (RM m)	2Q25	1Q25	QoQ Chg	2Q24	YoY Chg	1H25	1H24	YoY Chg
Revenue	1105.1	1109.4	0%	1092.7	1%	2214.6	2199.2	1%
EBIT	176.6	176.9	0%	183.2	-4%	353.4	371.2	-5%
Interest Income	3.0	3.5	-13%	2.3	31%	6.5	5.5	18%
Finance Costs	-4.8	-4.8	-1%	-5.0	-4%	-9.6	-11.9	-19%
Exceptional Items	-1.3	0.0	-3067%	8.1	-116%	-1.3	8.5	-115%
PBT	173.5	175.5	-1%	188.7	-8%	349.0	373.4	-7%
Taxation	-40.4	-41.3	-2%	-43.0	-6%	-81.7	-85.3	-4%
Minority Interest	-9.2	-5.6	63%	-4.7	97%	-14.8	-9.3	60%
<b>Net Profit</b>	<b>123.9</b>	<b>128.6</b>	<b>-4%</b>	<b>141.0</b>	<b>-12%</b>	<b>252.6</b>	<b>278.9</b>	<b>-9%</b>
<b>Core Net Profit</b>	<b>125.3</b>	<b>128.6</b>	<b>-3%</b>	<b>132.9</b>	<b>-6%</b>	<b>253.8</b>	<b>270.3</b>	<b>-6%</b>
Effective Tax Rate (%)	23.3	23.5		22.8		23.4	22.8	
EBIT Margin (%)	16.0	15.9		16.8		16.0	16.9	
PBT Margin (%)	15.7	15.8		17.3		15.8	17.0	
CNP Margin (%)	11.3	11.6		12.2		11.5	12.3	

Source: Company, Kenanga Research

**Segmental Breakdown**

FYE July (RM m)	2Q25	1Q25	QoQ Chg	2Q24	YoY Chg	1H25	1H24	YoY Chg
<b>Turnover</b>								
Packaging	630.8	625.7	1%	635.8	-1%	1256.5	1286.2	-2%
Property	474.4	483.7	-2%	456.9	4%	958.1	913.0	5%
<b>Group Turnover</b>	<b>1105.2</b>	<b>1109.4</b>	<b>0%</b>	<b>1092.7</b>	<b>1%</b>	<b>2214.6</b>	<b>2199.2</b>	<b>1%</b>
<b>EBIT</b>								
Packaging	42.1	31.0	36%	64.0	-34%	73.1	114.4	-36%
Property	133.1	145.9	-9%	127.3	5%	279.0	265.3	5%
<b>Group EBIT</b>	<b>175.2</b>	<b>176.9</b>	<b>-1%</b>	<b>191.3</b>	<b>-8%</b>	<b>352.1</b>	<b>379.7</b>	<b>-7%</b>
<b>EBIT Margin</b>								
Packaging	6.7%	5.0%		10.1%		5.8%	8.9%	
Property	28.1%	30.2%		27.9%		29.1%	29.1%	
<b>Group EBIT Margin</b>	<b>15.9%</b>	<b>15.9%</b>		<b>17.5%</b>		<b>15.9%</b>	<b>17.3%</b>	

Source: Company, Kenanga Research

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SCIENTX's Sum-of-Parts Valuation		
Segment	Valuation (RM m)	Valuation Basis
Packaging	1,290	8x FY25 PER
Property	4,294	50% discount to RNAV (see the following table)
<b>Total</b>	<b>5,584</b>	
Paid-up Capital (m shares)	1,551	
<b>SoP per share / TP (RM)</b>	<b>3.60</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 ScientexPasir Gudang	227	47
Taman Scientex Kulai	282	58
Taman Mutiara Mas	1,166	179
Taman Scientex Senai	1,935	297
Scientex Pulai	3,177	488
Scientex Kota Tinggi	167	35
Scientex Sg Petani	500	95
Scientex Sungai Dua	1,700	261
ScientexJenjarom	1,600	246
Scientex Cheras	2,900	445
Scientex Kulai	1,999	307
*Scientex Muar	1,333	205
*Scientex Bestari Jaya	2,238	344
*ScientexJawi	3,083	474
*Scientex Pulai 4	2,543	391
*Scientex Paya Rumpit Melaka	2,225	342
	<b>37,461</b>	<b>6,013</b>
<b>Unbilled Sales (as of Jan-25)</b>	<b>1,700</b>	<b>369</b>
Property Shareholders Fund		2,206
<b>Total RNAV (RM m)</b>		<b>8,588</b>
Discount to RNAV (%)		50%
<b>Discounted RNAV</b>		<b>4,294</b>

Source: Kenanga Research, Company

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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	0.980	1.20	22.4%	1,057.4	Y	05/2025	5.8	9.1	-15.2%	58.5%	17.0	10.7	1.7	10.5%	2.0	2.0%
BM GREENTECH BHD	UP	1.70	1.36	-20.0%	1,169.3	Y	03/2025	9.9	11.3	51.5%	14.7%	17.2	15.0	3.3	19.6%	1.8	1.1%
BP PLASTICS HOLDINGS BHD	MP	1.10	1.21	10.0%	309.6	Y	12/2025	12.1	12.8	31.2%	5.6%	9.1	8.6	1.1	12.4%	7.0	6.4%
HPP HOLDINGS BHD	UP	0.400	0.270	-32.5%	155.4	Y	05/2025	0.9	2.0	-14.6%	125.7%	44.4	19.7	1.2	2.8%	1.5	3.8%
KUMPULAN PERANGSANG SELANGOR BHD	UP	0.605	0.480	-20.7%	325.1	Y	12/2025	4.4	4.8	143.9%	8.4%	13.6	12.6	0.3	2.2%	2.0	3.3%
SCIENTEX BHD	MP	3.44	3.60	4.7%	5,353.6	Y	07/2025	31.5	33.4	-9.2%	6.0%	10.9	10.3	1.2	11.7%	11.0	3.2%
SLP RESOURCES BHD	OP	0.890	1.00	12.4%	282.1	Y	12/2025	5.0	5.3	12.1%	7.0%	18.0	16.8	1.5	8.3%	4.8	5.4%
TECHBOND GROUP BHD	OP	0.310	0.540	74.2%	235.2	Y	06/2025	3.7	4.8	17.2%	28.8%	8.4	6.5	0.8	10.8%	1.3	4.0%
THONG GUAN INDUSTRIES BHD	OP	1.22	2.01	64.8%	490.0	Y	12/2025	18.3	18.8	9.3%	2.8%	6.7	6.5	0.5	7.4%	6.0	4.9%
<b>SECTOR AGGREGATE</b>					<b>9,377.6</b>							<b>12.0</b>	<b>10.8</b>	<b>1.1</b>	<b>9.5%</b>		<b>3.8%</b>

Source: Kenanga Research

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**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.**

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