

Headwinds from Industrial Packaging segment

Lower TP from MYR5 to MYR4.13; maintain Buy

Property division drives performance amid competitive packaging landscape

Scientex reported core net profit of MYR126mn in 2Q25 (down 3% q-q and 5% y-y) owing to a weaker packaging segment (operating profit MYR42mn +36% q-q, -34% y-y), which was offset by growth of the property division (operating profit of MYR133mn -9% q-q, +5% y-y). This brought 1H25 earnings to MYR255mn (-5% y-y), accounting for 41% of our initial FY25F estimate, which we deem to be a miss (Bloomberg consensus earnings at 44% at MYR583mn). Revenue for the 2Q25 was MYR1,105mn (-0.4% q-q, +1% y-y), with the packaging segment contributing revenue of MYR631mn (+1%q-q, -1%y-y) and the properties segment contributing revenue of MYR474mn (-2% q-q, +4% y-y). Weakness in the packaging segment was attributed to the competitive market for industrial packaging, consequently lowering average selling prices (ASP) amid overcapacity in the market despite flattish volumes q-q. On the other hand, the consumer packaging side witnessed growth in ASP and volumes on the back of improved demand. According to management, overall utilization rate stood at 59% in 1H25 (58% in 1Q25). Meanwhile, Property earnings were driven by steady construction progress from ongoing projects, as well as encouraging responses to new launches. Scientex also increased its borrowings to MYR1.7bn in 1H25 from MYR933mn in FY24 to finance the ongoing land acquisition deals. As a result, net gearing jumped from 18% to 40% over this stated period above.

Maintain Buy at a lower TP of MYR4.13 (upside of 20%)

Following the disappointing results, we lower our earnings estimates by 14% and 10% for FY25F and FY26F as a consequence of lower margin assumptions on packaging side. We expect overall earning for FY25F to decline by 2% y-y, primarily due to the 41% decline in packaging segment partially cushioned by the higher earnings base on the growing Property segment. Moving on to FY26F, we expect overall earnings to grow by 11% y-y on the back of the recovery from the packaging segment (+41%y-y). Despite the downward revision to our earnings forecasts, we maintain our Buy rating with a lower TP of MYR4.13 based on sum-of-the-parts valuation premised on a WACC of 10% (vs 7.6% previously) for the Packaging division and a 30% discount (vs 20% previously) to its RNAV. At our new TP, this implies FY26F P/E of 10.8x (vs 9x historical forward average P/E of 9x). The stock currently trades at 9.0x FY26F P/E. Key downside risks are: 1) frail recovery in demand for packaging, 2) slow take-up in property sales, and 3) rising cost pressure.

Year-end 31 Jul	FY24		FY25F		FY26F		FY27F	
Currency (MYR)	Actual	Old	New	Old	New	Old	New	
Revenue (mn)	4,476	4,895	4,696	5,175	4,900	0	5,087	
Reported net profit (mn)	545	626	540	660	597	0	623	
Normalised net profit (mn)	545	626	540	660	597	0	623	
FD normalised EPS	35.05c	37.87c	34.71c	39.87c	38.33c		40.01c	
FD norm. EPS growth (%)	17.9	18.2	-1.0	5.3	10.4		4.4	
FD normalised P/E (x)	9.8	-	9.9	-	9.0	-	8.6	
EV/EBITDA (x)	7.1	-	7.8	-	7.0	-	6.9	
Price/book (x)	1.4	-	1.3	-	1.2	-	1.1	
Dividend yield (%)	3.2	-	3.0	-	3.3	-	3.5	
ROE (%)	15.2	15.7	13.6	14.9	13.7		13.0	
Net debt/equity (%)	18.2	23.0	30.9	22.3	23.0		21.9	

Source: Company data, Nomura estimates

Rating Remains **Buy**

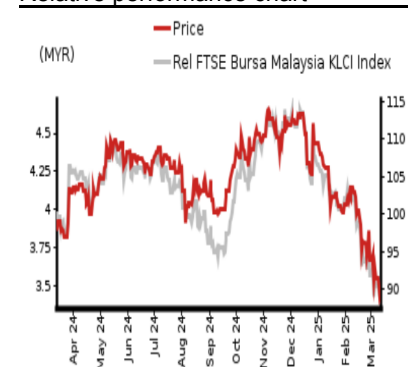
Target price Reduced from MYR 5.00 **MYR 4.13**

Closing price 12 March 2025 **MYR 3.44**

Implied upside **+20.1%**

Market Cap (USD mn) 1,209.6
ADT (USD mn) 0.5

Relative performance chart



Source: LSEG, Nomura

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Key data on Scientex

Performance

(%)	1M	3M	12M		
Absolute (MYR)	-15.7	-25.7	-10.6	M cap (USDmn)	1,209.6
Absolute (USD)	-14.8	-25.6	-5.6	Free float (%)	35.3
Rel to FTSE Bursa Malaysia KLCI Index	-10.5	-20.6	-8.4	3-mth ADT (USDmn)	0.5

Income statement (MYRmn)

Year-end 31 Jul	FY23	FY24	FY25F	FY26F	FY27F
Revenue	4,077	4,476	4,696	4,900	5,087
Cost of goods sold	-3,468	-3,744	-3,959	-4,081	-4,235
Gross profit	609	732	737	818	851
SG&A	0	0	0	0	0
Employee share expense	0	0	0	0	0
Operating profit	609	732	737	818	851
EBITDA	733	864	866	942	972
Depreciation	-124	-132	-129	-124	-121
Amortisation	0	0	0	0	0
EBIT	609	732	737	818	851
Net interest expense	-29	-17	-25	-30	-28
Associates & JCEs	13	15	16	16	17
Other income	0	0	0	0	0
Earnings before tax	593	729	727	805	841
Income tax	-120	-160	-159	-176	-184
Net profit after tax	473	569	568	628	657
Minority interests	-11	-24	-28	-32	-34
Other items	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Normalised NPAT	463	545	540	597	623
Extraordinary items	-24	0	0	0	0
Reported NPAT	438	545	540	597	623
Dividends	-155	-171	-162	-179	-187
Transfer to reserves	283	375	378	418	436

Valuations and ratios

Reported P/E (x)	12.2	9.8	9.9	9.0	8.6
Normalised P/E (x)	11.6	9.8	9.9	9.0	8.6
FD normalised P/E (x)	11.6	9.8	9.9	9.0	8.6
Dividend yield (%)	2.9	3.2	3.0	3.3	3.5
Price/cashflow (x)	6.7	6.2	7.8	7.3	7.0
Price/book (x)	1.6	1.4	1.3	1.2	1.1
EV/EBITDA (x)	8.4	7.1	7.8	7.0	6.9
EV/EBIT (x)	10.0	8.4	9.2	8.0	7.8
Gross margin (%)	14.9	16.3	15.7	16.7	16.7
EBITDA margin (%)	18.0	19.3	18.4	19.2	19.1
EBIT margin (%)	14.9	16.3	15.7	16.7	16.7
Net margin (%)	10.7	12.2	11.5	12.2	12.2
Effective tax rate (%)	20.2	21.9	21.9	21.9	21.9
Dividend payout (%)	35.4	31.3	30.0	30.0	30.0
ROE (%)	13.5	15.2	13.6	13.7	13.0
ROA (pretax %)	11.7	13.3	11.7	11.8	11.7

Growth (%)

Revenue	2.3	9.8	4.9	4.3	3.8
EBITDA	7.1	17.8	0.3	8.8	3.2
Normalised EPS	10.0	17.9	-1.0	10.4	4.4
Normalised FDEPS	10.0	17.9	-1.0	10.4	4.4

Source: Company data, Nomura estimates

Cashflow statement (MYRmn)

Year-end 31 Jul	FY23	FY24	FY25F	FY26F	FY27F
EBITDA	733	864	866	942	972
Change in working capital	198	126	-24	-28	-23
Other operating cashflow	-126	-131	-159	-176	-184
Cashflow from operations	805	859	682	738	765
Capital expenditure	-114	-86	-92	-95	-98
Free cashflow	691	774	590	643	667
Reduction in investments	0	0	0	0	0
Net acquisitions	-216	-624	-1,000	-200	-500
Dec in other LT assets	0	0	0	0	0
Inc in other LT liabilities	0	0	0	0	0
Adjustments	60	69	10	19	27
CF after investing acts	535	219	-400	462	194
Cash dividends	-155	-171	-162	-179	-187
Equity issue	0	0	0	0	0
Debt issue	-246	0	900	200	200
Convertible debt issue	0	0	0	0	0
Others	-158	38	-35	-49	-54
CF from financial acts	-560	-133	703	-28	-41
Net cashflow	-25	86	303	434	153
Beginning cash	191	166	252	555	989
Ending cash	166	252	555	989	1,142
Ending net debt	677	689	1,286	1,052	1,099

Balance sheet (MYRmn)

As at 31 Jul	FY23	FY24	FY25F	FY26F	FY27F
Cash & equivalents	166	252	555	989	1,142
Marketable securities	0	0	0	0	0
Accounts receivable	668	811	851	888	922
Inventories	377	348	369	381	396
Other current assets	855	988	988	988	988
Total current assets	2,066	2,399	2,763	3,246	3,448
LT investments	1,538	1,875	2,891	3,107	3,625
Fixed assets	1,558	1,524	1,491	1,463	1,440
Goodwill	305	305	305	305	305
Other intangible assets	0	0	0	0	0
Other LT assets	38	51	47	46	46
Total assets	5,505	6,154	7,496	8,167	8,864
Short-term debt	771	869	1,769	1,969	2,169
Accounts payable	577	608	645	666	693
Other current liabilities	333	440	440	440	440
Total current liabilities	1,681	1,917	2,854	3,075	3,302
Long-term debt	73	72	72	72	72
Convertible debt	0	0	0	0	0
Other LT liabilities	145	153	153	153	153
Total liabilities	1,899	2,142	3,079	3,301	3,527
Minority interest	214	235	263	295	329
Preferred stock	0	0	0	0	0
Common stock	705	706	706	706	706
Retained earnings	2,687	3,070	3,449	3,866	4,302
Proposed dividends	0	0	0	0	0
Other equity and reserves	0	0	0	0	0
Total shareholders' equity	3,392	3,776	4,154	4,572	5,008
Total equity & liabilities	5,505	6,154	7,496	8,167	8,864

Liquidity (x)

Current ratio	1.23	1.25	0.97	1.06	1.04
Interest cover	21.2	42.1	29.3	27.4	30.8

Leverage

Net debt/EBITDA (x)	0.92	0.80	1.48	1.12	1.13
Net debt/equity (%)	20.0	18.2	30.9	23.0	21.9

Per share

Reported EPS (MYR)	28.15c	35.03c	34.71c	38.33c	40.01c
Norm EPS (MYR)	29.73c	35.05c	34.71c	38.33c	40.01c
FD norm EPS (MYR)	29.73c	35.05c	34.71c	38.33c	40.01c
BVPS (MYR)	2.18	2.43	2.67	2.94	3.22
DPS (MYR)	0.10	0.11	0.10	0.11	0.12

Activity (days)

Days receivable	61.1	60.5	64.6	64.8	64.9
Days inventory	43.5	35.4	33.0	33.5	33.5
Days payable	63.8	57.9	57.7	58.6	58.6
Cash cycle	40.8	38.0	39.9	39.7	39.8

Source: Company data, Nomura estimates

Company profile

Scientex is a leading packaging manufacturer and property developer based in Malaysia. The packaging division manufactures stretch film, custom film and multi-layered flexible plastic packaging (FPP) products for domestic consumption and export. The property division has constructed over 30k affordable homes across Johor, Selangor, Perak, Negeri Sembilan, Melaka and Penang.

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 MYR4.13. 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.

ESG

Scientex's sustainability statement, "To Grow The Scientex Community for a Better Tomorrow", forms a clear reflection of its commitment to sustainability that extends beyond the products it creates. Providing for the needs of its customers, whether in protection, convenience, hygiene and food or product waste reduction in packaging or through providing affordable yet quality homes to Malaysian house buyers. We ascribe a total score of 3.5 (out of 5) for Scientex which comprises of the following: Environment: Score of 3 (out of 5), given its exposure in plastics. However, we take note on its effort to reduce wastage, which has continued to see an improvement overall. Social: Score of 4 (out of 5) given its ongoing engagement with communities such as charity work and environmental awareness campaigns. Noteworthy to point out is that the company remains committed on the new launches of affordable homes in immediate to longer term. Governance: Score of 3 (out of 5) to reflect the lack of gender diversity in its board composition. The company has also been on an acquisition trail for both the packaging and property side in recent years, although there has not been any related party transactions, we think investors should remain cautious on future transactions, if such issues were to emerge. Our score, to some degree is also reflective to the ownership of the company, which are majority family while the free float is 35%.

Key briefing highlights:**Properties segment:**

- Scientex currently has 11,034 acres of landbank, with a potential GDV of MYR50bn. Additionally, new launches in Pulai and Senai (Johor), Sungai Dua (Penang), Ipoh (Perak), Jenjarom (Selangor) and Jasin (Melaka) have received strong market responses, further supporting the division's performance.
- Management has a 2028 vision to deliver 50k affordable homes to the public in the next three years. According to management, it already crossed the 40k mark and might cross the 50k mark before 2028E due to new landbank that it acquired recently.
- Unbilled sales for 1H25 were MYR1.7bn; take-up rate was ~50%.
- Pending landbank completion of Sungai Petani, Kedah (MYR89.7mn) and Paya Rumpit, Melaka (MYR333.8mn).

Packaging segment:

- Manufacturing facility in Arizona remains profitable, with a 40% utilization rate.
- Management stated that the company is actively looking for M&A opportunities given market consolidation. Scientex had made two transactions to further expand its product portfolio. The first was Hiro Food Packages Manufacturing (food packaging manufacturer in Japan), which increased the company's stake in Scientex Packaging Film from 30% to 70%. The second was Scientex Creed Japan (Japanese real estate investment group focusing on property development in Southeast and South Asia) for ~MYR75mn.
- Revenue for Hiro Food Packages Manufacturing is about 2% of total packaging revenue, with very little profit contribution.
- Capital expenditure will be ~MYR100mn in FY25, with no expansion plans.
- According to management, the industrial packaging business is facing competition, as there is overcrowding with demand being at the same level. Margins have sequentially improved q-q on the back of higher ASPs and tighter cost control.

Fig. 1: SCI: 2Q25 result review

	2Q24	1Q25	2Q25	%chg y-y		1H24	1H25	% chg y-y	FY25	FY25 as % of FY25F
				q-q	y-y					
P&L statement										
Packaging	636	626	631	1%	-1%	1,286	1,256	-2%	2,646	47%
Property	457	484	474	-2%	4%	913	958	5%	2,049	47%
Revenue	1,093	1,109	1,105	0%	1%	2,199	2,215	1%	4,696	47%
Costs	(879)	(899)	(895)	0%	2%	(1,766)	(1,794)	2%	(3,830)	47%
EBITDA	214	210	210	0%	-2%	433	420	-3%	866	49%
Depreciation	(33)	(34)	(34)	2%	5%	(66)	(68)	3%	(129)	53%
EBIT	181	177	175	-1%	-3%	367	352	-4%	737	48%
Finance income	1	1	2	15%	37%	2	3	42%	10	28%
Finance costs	(5)	(5)	(5)	-1%	-4%	(12)	(10)	-19%	(35)	27%
Share of results of associates and joint venture	2	3	3	-13%	31%	6	7	18%	16	42%
PBT	180	177	175	-1%	-3%	363	352	-3%	727	48%
Tax	(43)	(41)	(40)	-2%	-6%	(85)	(82)	-4%	(159)	51%
MI	(5)	(6)	(9)	63%	97%	(9)	(15)	60%	(28)	53%
Core PATAMI	132	130	126	-3%	-5%	269	255	-5%	540	47%
EI	9	(1)	(2)	63%	-118%	10	(3)	nm	-	nm
Reported PATAMI	141	129	124	-4%	-12%	279	253	-9%	540	47%
Margins (%)										
Core PATAMI	12.1%	11.7%	11.4%	-0.3pp	-0.7pp	12.2%	11.5%	-0.7pp	11.5%	0pp
EBIT	16.6%	15.9%	15.9%	0pp	-0.7pp	16.7%	15.9%	-0.8pp	15.7%	0.2pp
EBITDA	19.6%	19.0%	19.0%	0pp	-0.6pp	19.7%	19.0%	-0.7pp	18.4%	0.5pp
Effective tax rate	23.9%	23.4%	23.1%	-0.3pp	-0.9pp	23.5%	23.2%	-0.3pp	21.9%	1.3pp
Reported Segment Operating Profit										
Packaging	64	31	42	36%	-34%	114	73	-36%	141	52%
Property	127	146	133	-9%	5%	265	279	5%	582	48%
Total	191	177	175	-1%	-8%	380	352	-7%	723	49%
Packaging margin	10.1%	5.0%	6.7%	1.7pp	-3.4pp	8.9%	5.8%	-3.1pp	5.3%	-0.5pp
Property margin	27.9%	30.2%	28.1%	-2.1pp	0.2pp	29.1%	29.1%	0.1pp	28.4%	-0.7pp
Total	17.5%	15.9%	15.9%	-0.1pp	-1.6pp	17.3%	15.9%	-1.4pp	15.4%	-0.5pp

Source: Company data, Nomura estimates

Fig. 2: SCI: Key assumptions

	2019A	2020A	2021A	2022A	2023A	2024A	2025F	2026F	2027F
Packaging	2,358	2,551	2,491	2,861	2,626	2,594	2,646	2,780	2,921
% y-y		8%	-2%	15%	-8%	-1%	2%	5%	5%
Property	890	967	1,164	1,124	1,451	1,881	2,049	2,119	2,166
% y-y		9%	20%	-3%	29%	30%	9%	3%	2%
Revenue	3,247	3,519	3,656	3,985	4,077	4,476	4,696	4,900	5,087
Packaging	284	391	361	364	327	347	278	334	351
% y-y		38%	-8%	1%	-10%	6%	-20%	20%	5%
Packaging EBITDA margin	0	15%	14%	13%	12%	13%	11%	12%	12%
Property	288	303	355	320	406	517	588	608	622
% y-y		5%	17%	-10%	27%	27%	14%	3%	2%
Property EBITDA margin	0	31%	30%	28%	28%	27%	29%	29%	29%
EBITDA	572	694	716	684	733	864	866	942	972
Packaging	139	202	202	195	167	161	96	135	148
% y-y		45%	0%	-4%	-14%	-4%	-41%	41%	10%
Packaging Core PATAMI margin	6%	8%	8%	7%	6%	6%	4%	5%	5%
Property	216	227	263	230	298	386	441	458	471
% y-y		5%	16%	-12%	30%	30%	14%	4%	3%
Property Core PATAMI margin	24%	23%	23%	20%	21%	21%	21%	22%	22%
Core PATAMI	356	430	465	425	465	547	536	593	619
% y-y		21%	8%	-9%	9%	18%	-2%	11%	4%
Core PATAMI margin	11%	12%	13%	11%	11%	12%	11%	12%	12%
% chg in volumes	0%	0%	-5%	-1%	-7%	4%	2%	3%	3%
% chg in price per MT	0%	0%	3%	16%	-1%	-5%	0%	2%	2%
% chg in cost per MT				17%	2%	-6%	4%	0%	2%
Launches (Gross Development value, MY)	1,100	885	1,500	1,200	2,100	1,900	1,859	1,969	2,029
Units sold for the year (#)	3,244	3,034	5,615	4,097	6,608	6,336	6,200	6,500	6,600
Total Units completed (#)	18,543	21,531	25,297	27,120	30,930	36,490	43,098	49,434	55,634
Total units completed for the year (#)		2,988	3,766	1,823	3,810	5,560	6,608	6,336	6,200

Source: Company data, Nomura estimates

Fig. 3: SOTP-derived valuation

MYR'mn, unless stated otherwise

Year end/July	2019	2020	2021	2022	2023	2024	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
Packaging Revenue	3,247	2,551	2,491	2,861	2,626	2,594	2,646	2,780	2,921	3,039	3,162	3,289	3,422	3,561
Packaging EBITDA	572	391	361	364	327	347	278	334	351	349	364	378	394	409
EBITDA margin	17.6%	15.3%	14.5%	12.7%	12.5%	13.4%	10.5%	12.0%	12.0%	11.5%	11.5%	11.5%	11.5%	11.5%
After tax Operating cash flow	557	337	329	326	305	311	258	303	316	315	327	339	351	364
Purchases of property, plant and equipment	(48)	(79)	(81)	(172)	(114)	(86)	(92)	(95)	(98)	(101)	(104)	(107)	(110)	(113)
Capex	(48)	(79)	(81)	(172)	(114)	(86)	(92)	(95)	(98)	(101)	(104)	(107)	(110)	(113)
FCFF	509	257	247	154	191	226	166	208	218	214	223	232	241	251
Terminal														2,509
Total FCFF	509	257	247	154	191	226	166	208	218	214	223	232	241	2,759
RFR				3.8%										
Beta (x)				1.5										
Required return in market				12.6%										
Cost of equity				17.0%										
Cost of debt (1-t)				3.0%										
Long term growth (Malaysia)				0.0%										
Long term capital structure														
Debt				50%										
Equity				50%										
WACC				10.0%										
NPV (FY26F-FY32F)														1,091
Terminal value (at 0% growth)														2,509
Debt (FY25F) for Packaging division														(788)
Cash (FY25F) for Packaging division														243
MI (FY25F) for Packaging division														(237)
Total Packaging Equity value														2,818
Shares (mn)														1,556
Packaging valuation per share (MYR)														1.81
Implied FY26F P/E														20.9
Packaging value/share														1.81
Ongoing and Future GDV														39,600
Total RNAV														5,147
Discount to RNAV														30%
Shares (mn)														1,556
Property value/share														2.31
Implied FY26F P/E														7.9
TP (MYR)														4.13

Source: Company data, Nomura estimates

Appendix A-1

Analyst Certification

I, Ahmad Maghfur Usman, hereby certify (1) that the views expressed in this Research report accurately reflect my personal views about any or all of the subject securities or issuers referred to in this Research report, (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this Research report and (3) no part of my compensation is tied to any specific investment banking transactions performed by Nomura Securities International, Inc., Nomura International plc or any other Nomura Group company.

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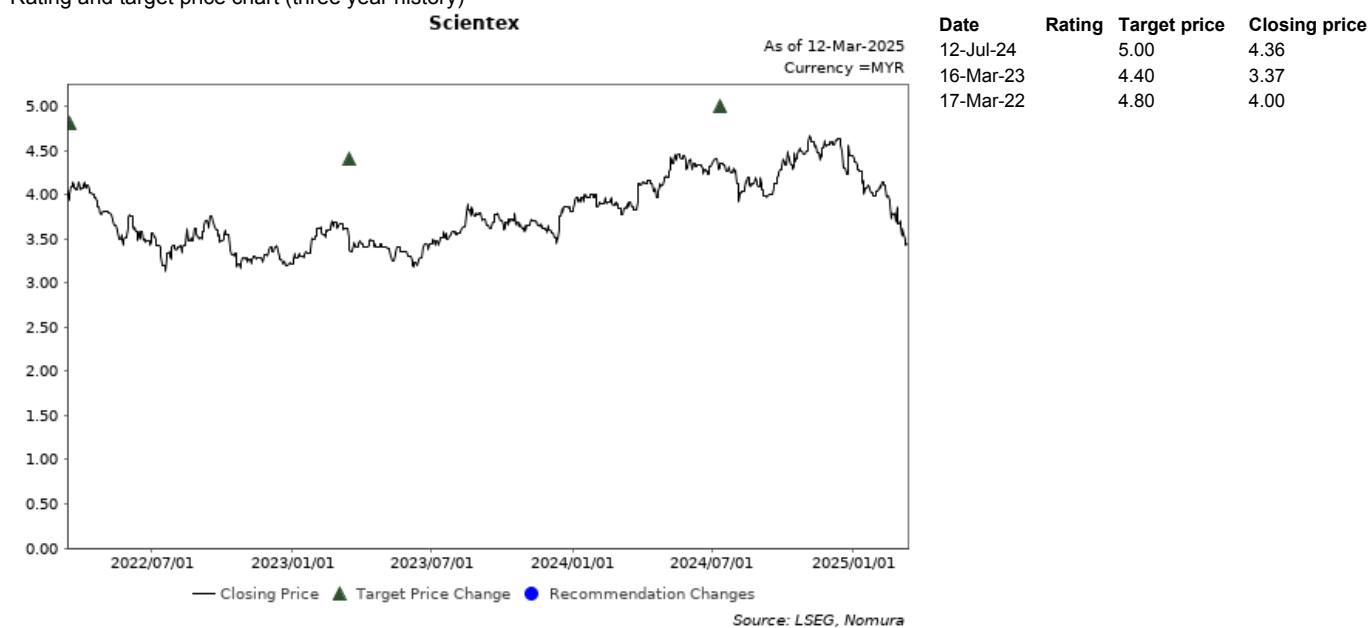
Materially mentioned issuers

Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Scientex	SCI MK	MYR 3.44	12-Mar-2025	Buy	N/A	

Scientex (SCI MK)

MYR 3.44 (12-Mar-2025) 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 MYR4.13. 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 31 December 2024.

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STOCKS

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