

Scientex Berhad

TP: RM5.54 (+64.7%)
Property Segment Remains as the Key Driver
Last Traded: RM3.44
BUY (ESG: ★★★)

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Review

- Scientex Berhad's (Scientex) 1HFY25 core earnings of RM254.1mn came in at 43% and 44% of ours and consensus' full-year estimates, respectively.
- We deem the results in line with our expectations, as we anticipate 2HFY25 to be back-end loaded due to a heightened response to its new launches and the progressive demand recovery in the manufacturing segment. Historically, 2H has contributed 50%-58% of total earnings over the past 5 years.
- 1HFY25 core net profit declined by 5.4% YoY, primarily due to weaker performance in the manufacturing segment. The manufacturing segment reported a lower operating profit of RM73.1mn, compared to RM114.4mn in 1HFY24, mainly attributed to lower ASP for industrial packaging products, particularly in 1QFY25. Additionally, a higher effective tax rate of 23.4% (+0.6%-pts YoY) also contributed to the weaker earnings.
- Positively, the property segment's operating profit grew 5.2% YoY to RM279.0mn, in tandem with a 4.9% YoY revenue growth to RM958.1mn in 1HFY25. These impressive results were mainly attributed to higher turnover, steady construction progress on ongoing projects, and strong responses to new launches. Notably, approximately 3,600 property units were completed with Certificates of Completion and Compliance (CCC) for projects in Kedah, Penang, Selangor, Melaka, and Johor.
- For 2QFY25, sales grew steadily by 1.1% YoY to RM1.1bn. However, PBT dropped by 8.0% YoY to RM173.5mn, mainly due to a lower operating profit of RM42.1mn from the manufacturing segment (-34.1% YoY). As a result, the group's EBIT margin declined by 1.6%-pts YoY to 15.9%, primarily dragged by the manufacturing segment (-3.4%-pts YoY to 6.7%) in 2QFY25.
- No dividend was declared for the quarter under review.

Impact

- No change to our earnings estimates.

Outlook

- Manufacturing.** For 2HFY25, we expect gradual improvement in the manufacturing segment due to stable volume and price adjustments for consumer packaging products in 1HFY25. Notably, the segment's EBIT margin improved by 1.7%-pts QoQ to 6.7% in 2QFY25. Going forward, management will continue to emphasise internal cost control and operational efficiency to mitigate the impact of softer demand for industrial packaging products. Additionally, the group does not plan to make significant price adjustments to its products in an effort to capture a larger market share.

Share Information

Bloomberg Code	SCI MK
Stock Code	4731
Listing	Main Market
Share Cap (mn)	1,556.3
Market Cap (RMmn)	5,353.7
52-wk Hi/Lo (RM)	4.68/3.4
12-mth Avg Daily Vol ('000 shrs)	696.6
Estimated Free Float (%)	33.3
Beta	1.0
Major Shareholders (%)	
Scientex Holdings & Related	41.4

Forecast Revision

	FY25	FY26
Forecast Revision (%)	-	-
Net profit (RMm)	590.8	610.2
Consensus	583.0	637.9
TA's / Consensus (%)	101.3	95.7
Previous Rating	Buy (Maintained)	
Consensus Target Price (RM)	4.63	

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)	1.4	1.2

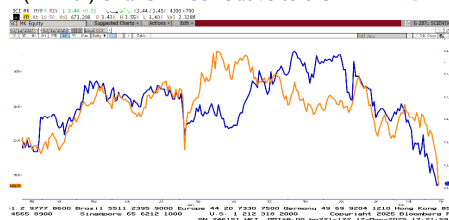
Scorecard

	% of FY	
vs TA	43	Below
vs Consensus	44	Below

Share Performance (%)

Price Change	SCIENTX	FBM KLCI
1 mth	(15.7)	(7.4)
3 mth	(25.7)	(7.3)
6 mth	(13.6)	(9.4)
12 mth	(10.6)	(4.5)

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

- **Property.** The group successfully launched 13 projects in 1HFY25 with a total gross development value (GDV) of RM1.0bn, comprising 3,077 units across Scientex's key states. Management indicated that the average take-up rate for the project launches in 1HFY25 was about 50%, as most of the new launches occurred in 2QFY25. For 2HFY25, the group aims to increase its unit launches by approximately 4,900 units, bringing its total unit launches to around 8,000 units in FY25 (FY24: 6,336 units). As a result, the group reaffirms its goal to achieve at least RM2.0bn in GDV launches (FY24: RM2.0bn), supported by a larger land bank of 11,034 acres (FY24: 10,277 acres), with a potential GDV of RM50.0bn. Consequently, we maintain our EBIT margin projection of 30.8% (3.2%-pts YoY) for FY25, with the EBIT margin standing at 29.1% for 1HFY25

Valuation

- We reiterate our **BUY** recommendation for the stock with a TP of RM5.54/share, based on Sum-of-Parts (SOP) valuation. We see the recent decline in the stock price as a favourable buying opportunity.

Table I: 2QFY25 Results Analysis

FYE July (RM mn)	2QFY24	1QFY25	2QFY25	QoQ (%)	YoY (%)	1HFY24	1HFY25	YoY (%)
Revenue	1,092.7	1,109.4	1,105.1	(0.4)	1.1	2,199.2	2,214.6	0.7
~ Manufacturing	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
Interest Expense	(5.0)	(4.8)	(4.8)	1.5	3.9	(11.9)	(9.6)	19.1
Investing Results	2.3	3.5	3.0	(12.6)	30.6	5.5	6.5	17.7
Depreciation	(32.9)	(33.7)	(34.5)	(2.1)	(4.7)	(66.0)	(68.2)	(3.3)
EBITDA	224.2	210.6	209.7	(0.4)	(6.5)	445.8	420.3	(5.7)
Operating Profit	191.3	176.9	175.2	(0.9)	(8.4)	379.7	352.1	(7.3)
~ Manufacturing	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
EI	9.0	0.0	(1.5)	nm	nm	10.3	(1.5)	nm
Reported PBT	188.7	175.5	173.5	(1.1)	(8.0)	373.4	349.0	(6.5)
Taxation	(43.0)	(41.3)	(40.4)	2.2	6.0	(85.3)	(81.7)	4.2
Minority Interest	(4.7)	(5.6)	(9.2)	(62.9)	(97.1)	(9.3)	(14.8)	(59.7)
Reported Profit	141.0	128.6	123.9	(3.6)	(12.1)	278.9	252.6	(9.4)
Adj. Net Profit	132.0	128.6	125.5	(2.4)	(4.9)	268.5	254.1	(5.4)
EPS (sen)	9.1	8.3	8.0	(3.9)	(12.4)	18.0	16.3	(9.6)
Adj EPS (sen)	8.5	8.3	8.1	(2.7)	(5.2)	17.3	16.4	(5.5)
DPS (sen)	0.0	0.0	0.0	-	-	0.0	0.0	-
				%-pts	%-pts			%-pts
EBIT Margin (%)	17.5	15.9	15.9	(0.1)	(1.6)	17.3	15.9	(1.4)
~ Manufacturing	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
PBT Margin (%)	17.3	15.8	15.7	(0.1)	(1.6)	17.0	15.8	(1.2)
Core Net Margin (%)	12.1	11.6	11.4	(0.2)	(0.7)	12.2	11.5	(0.7)
Tax rate (%)	22.8	23.5	23.3	(0.2)	0.5	22.8	23.4	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)	12.2	9.8	9.1	8.8	8.1
Net Dividend (sen)	10.0	12.0	13.0	13.0	15.5
Dividend Yield (%)	2.9	3.5	3.8	3.8	4.5

Table 3: Sum-of-Parts Valuation

Segment	Valuation Method	Equity Value (RM mn)
Manufacturing	CY25 EPS PER 15x	3,787.8
Property	CY25 EPS PER 14x	4,958.8
Equity value (RM mn)		8,746.6
+ Proceed from Warrant Conversion (RM mn)		444.1
Total Equity Value (RM mn)		9,190.8
Share cap (mn)		1,556.3
+ Warrant Conversion (mn)		103.3
Enlarged Share Cap (mn)		1,659.6
+ ESG Premium:		-
Target Price (RM)		5.54

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, March 13, 2025, 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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