

19 June 2025

Consumer Non-cyclical | Packaging

Scientex (SCI MK)

Neutral (Maintained)

A Hiccup In The Packaging Segment

Target Price (Return): MYR3.50 (+5%)
 Price (Market Cap): MYR3.34 (USD1,221m)
 ESG score: 3.0 (out of 4)
 Avg Daily Turnover (MYR/USD) 2.11m/0.48m

- **Keep NEUTRAL, new MYR3.50 TP from MYR3.70, 5% upside.** Scientex's 3QFY25 (Jul) results largely met expectations, as the packaging segment continued to post weaker-than-expected contributions. While the property segment remains robust, management believes the global packaging market continues to be challenging in the near term. Regardless, we think the stock is fairly valued, as it is now trading at 10x FY25F P/E – in line with its historical mean.
- **Largely met expectations.** Scientex posted a 3QFY25 net profit of MYR129.7m (+2% QoQ, +1% YoY), bringing 9MFY25 core earnings to MYR384.9m (-3.4% YoY). This is broadly in line with expectations, at 73% and 72% of our and Street's full-year estimates, as we expect it to chalk seasonally stronger numbers from the property segment in 4QFY25. It declared a DPS of 6 sen for the quarter (3QFY24: 6 sen), which translates to a 9MFY25 core payout ratio of 24%.
- **Results review.** The packaging segment's operating profit fell 41% YoY in 3QFY25 despite just a 6% YoY slip in revenue. This was mainly due to the challenging environment for the industrial packaging sub-segment, as capacity expansion in the market resulted in lower realised ASPs. As a result, this segment's core operating margin thinned to 5.6% in 3QFY25 (3QFY24: 8.9%). This brought 9MFY25 operating profit to MYR107.6m (-38% YoY). On the property side, revenue and operating profit rose 6.6% and 9.2% YoY due to the higher construction progress and strong take-ups from new launches.
- **Outlook.** Management believes the packaging market will remain challenging in the near term, especially for the industrial sub-segment, with a rebound anticipated in CY26 – offset by returning demand for consumer packaging. Note: The consumer packaging sub-segment roughly makes up 45-50% of total packaging revenue. On the property business, we are optimistic that Scientex is on track to achieve its property launch target of more than MYR2bn for FY25. Hence, we continue to expect the property segment to be the main earnings contributor in the coming quarters.
- **Maintain NEUTRAL with new SOP-based TP of MYR3.50.** We cut our FY25-27F earnings by 2%, 6%, and 6% after imputing higher cost assumptions for the packaging segment, given the intensifying competition in the industrial packaging sub-segment. Our TP includes a 0% ESG premium/discount, as Scientex's ESG score of 3.0 is equal to the country median. The group's valuation is now fair – it is trading at its historical P/E mean.
- **Key upside risks** include unfavourable changes in demand for flexible packaging products and affordable homes, and sharp increases in raw material prices. The converse represents the downside risks.

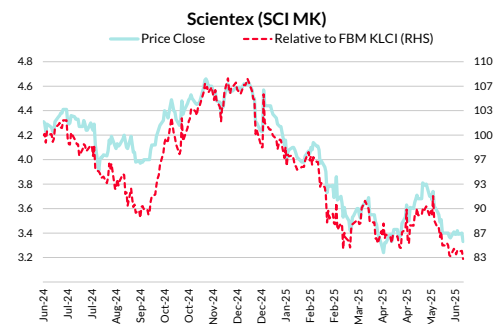
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(25.0)	(12.4)	(7.5)	(26.0)	(23.1)
Relative	(17.0)	(8.6)	(6.4)	(20.6)	(17.1)
52-wk Price low/high (MYR)	3.24 – 4.66				



Source: Bloomberg

Forecasts and Valuation	Jul-23	Jul-24	Jul-25F	Jul-26F	Jul-27F
Total turnover (MYRm)	4,077	4,476	4,759	5,126	5,432
Recurring net profit (MYRm)	462	537	518	565	597
Recurring net profit growth (%)	14.9	16.3	(3.6)	9.0	5.8
Recurring P/E (x)	11.18	9.61	9.98	9.15	8.65
P/B (x)	1.5	1.4	1.3	1.2	1.1
P/CF (x)	6.41	6.01	8.54	7.42	6.71
Dividend Yield (%)	3.0	3.0	3.5	3.8	3.9
EV/EBITDA (x)	8.04	6.94	7.08	6.58	6.01
Return on average equity (%)	13.5	15.2	13.1	13.1	12.8
Net debt to equity (%)	18.6	17.0	15.8	13.3	9.8

Source: Company data, RHB

Overall ESG Score: 3.0 (out of 4)

E Score: 3.0 (GOOD)

S Score: 3.0 (GOOD)

G Score: 2.8 (GOOD)

Please refer to the ESG analysis on the next page

Emissions And ESG

Trend analysis	Emissions (tCO2e)	Jul-22	Jul-23	Jul-24	Jul-25
In FY24, Scope 1 emissions decreased to 5,509 tonnes of CO2 equivalents (FY23: 6,295 tonnes of CO2 equivalents) while Scope 2 decreased to 147,626 tonnes of CO2 equivalents (FY23: 135,898 tonnes of CO2 equivalents)	Scope 1	6,118	6,295	5,509	na
	Scope 2	150,222	135,898	147,626	na
	Scope 3	na	na	na	na
	Total emissions	156,340	142,193	153,135	na

Source: Company data, RHB

Latest ESG-Related Developments

While Scientex does not have an emission reduction target, it is now adopting renewable energy solutions by installing solar panels at its operation sites to reduce GHG emissions.

ESG Unbundled

Overall ESG Score: 3.0 (out of 4)

Last Updated: 18 December 2024

E Score: 3.0 (GOOD)

Scientex does not establish its greenhouse gas (GHG) emission target currently but has consistently reduced its GHG emission since 2020. The group has reduced its GHG emission intensity by 11% from FY20 to FY24. Scientex has also developed various packaging solutions that are 100% recyclable and plans to continue its efforts in providing sustainable packaging solutions.

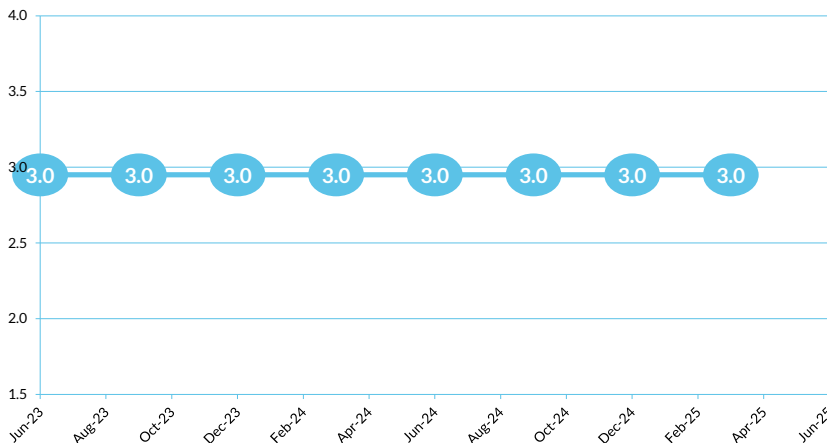
S Score: 3.0 (GOOD)

Scientex complies to all applicable laws in relation to occupational health and safety. Adequate training is provided to its employees on safety and health practices. The group also adopted a group-wide Safety & Health Policy in FY24 that outlines its key areas of commitment to meet high standards of occupational safety and health.

G Score: 2.8 (GOOD)

Independent directors make up more than 50% of the board and Scientex only has one female director, which is less than 30% of the board composition. Remuneration of its directors are disclosed on a named basis. Scientex only conducts briefings for analysts on a half-yearly basis.

ESG Rating History



Source: RHB

Financial Exhibits

Asia	Financial summary (MYR)	Jul-23	Jul-24	Jul-25F	Jul-26F	Jul-27F
Malaysia	Recurring EPS	0.30	0.35	0.33	0.36	0.38
Consumer Non-cyclical	DPS	0.10	0.10	0.12	0.13	0.13
Scientex	BVPS	2.19	2.43	2.65	2.89	3.15
SCI MK	Return on average equity (%)	13.5	15.2	13.1	13.1	12.8
Neutral						
	Valuation metrics	Jul-23	Jul-24	Jul-25F	Jul-26F	Jul-27F
Valuation basis	Recurring P/E (x)	11.18	9.61	9.98	9.15	8.65
We use SOP valuation to derive our TP	P/B (x)	1.5	1.4	1.3	1.2	1.1
	FCF Yield (%)	13.2	14.9	8.8	10.6	12.0
	Dividend Yield (%)	3.0	3.0	3.5	3.8	3.9
Key drivers	EV/EBITDA (x)	8.04	6.94	7.08	6.58	6.01
i. Ongoing capacity expansion of its plastic segment;	EV/EBIT (x)	9.67	8.20	8.08	7.53	6.88
ii. Venture into new film products that bear exciting market opportunities locally;						
iii. Ongoing property launches.						
Key risks	Income statement (MYRm)	Jul-23	Jul-24	Jul-25F	Jul-26F	Jul-27F
Key upside risks include unfavourable changes in demand for flexible packaging products and affordable homes, and sharp increases in raw material prices. The converse of these represent the downside risks.	Total turnover	4,077	4,476	4,759	5,126	5,432
	Gross profit	890	1,009	1,137	1,205	1,296
	EBITDA	737	861	847	904	976
	Depreciation and amortisation	(124)	(132)	(104)	(114)	(124)
	Operating profit	613	729	743	790	852
	Net interest	(34)	(23)	(39)	(43)	(46)
	Pre-tax profit	569	729	717	762	806
	Taxation	(120)	(160)	(172)	(168)	(177)
	Reported net profit	438	545	518	565	597
	Recurring net profit	462	537	518	565	597
Company Profile	Cash flow (MYRm)	Jul-23	Jul-24	Jul-25F	Jul-26F	Jul-27F
Scientex is a leading manufacturer of flexible plastic packaging and has a presence across the packaging value chain, from stretch, base, and printed films to bags and multi-layered flexible plastic packaging solutions used in industrial and consumer packaging. The group is also developer of affordable homes in Malaysia.	Change in working capital	199	126	(70)	(41)	(29)
	Cash flow from operations	806	859	605	696	769
	Capex	(123)	(92)	(150)	(150)	(150)
	Cash flow from investing activities	(270)	(640)	(400)	(400)	(400)
	Dividends paid	(162)	(192)	(178)	(194)	(202)
	Cash flow from financing activities	(561)	(133)	(128)	(147)	(158)
	Cash at beginning of period	191	166	252	329	479
	Net change in cash	(25)	86	77	150	211
	Ending balance cash	166	252	329	479	691
	Balance sheet (MYRm)	Jul-23	Jul-24	Jul-25F	Jul-26F	Jul-27F
	Total cash and equivalents	166	252	329	479	691
	Tangible fixed assets	2,983	3,294	3,590	3,876	4,152
	Total investments	118	110	123	137	137
	Total assets	5,505	6,154	6,613	7,180	7,761
	Short-term debt	767	863	963	1,063	1,163
	Total long-term debt	70	70	60	50	40
	Total liabilities	1,899	2,142	2,235	2,402	2,555
	Total equity	3,606	4,011	4,378	4,778	5,205
	Total liabilities & equity	5,505	6,154	6,613	7,180	7,761
	Key metrics	Jul-23	Jul-24	Jul-25F	Jul-26F	Jul-27F
	Revenue growth (%)	2.3	9.8	6.3	7.7	6.0
	Recurrent EPS growth (%)	14.9	16.3	(3.7)	9.0	5.8
	Gross margin (%)	21.8	22.5	23.9	23.5	23.9
	Operating EBITDA margin (%)	18.1	19.2	17.8	17.6	18.0
	Net profit margin (%)	10.7	12.2	10.9	11.0	11.0
	Dividend payout ratio (%)	35.4	28.4	34.5	34.3	33.8
	Capex/sales (%)	3.0	2.0	3.2	2.9	2.8
	Interest cover (x)	18.3	32.2	19.0	18.5	18.4

Source: Company data, RHB

Results At a Glance

Figure 1: 9MFY25 results review

FYE Jul (MYRm)	3Q24	2Q25	3Q25	QoQ (%)	YoY (%)	9M24	9M25	YoY (%)	Comments
Revenue	1,108.0	1,105.1	1,110.5	0.5	0.2	3,307.3	3,325.1	0.5	YTD: Largely flattish YoY due to increased revenue from the property segment (+7%), offset by lower packaging topline (-4%)
Adjusted EBITDA	210.2	277.8	218.3	(21.4)	3.8	647.5	641.3	(1.0)	
Adjusted EBITDA margin (%)	19.0	25.1	19.7			19.6	19.3		
Depreciation	(32.8)	(100.2)	(34.9)	(65.1)	6.4	(98.9)	(103.1)	4.3	
Adjusted operating profit	177.4	177.6	183.3	3.2	3.4	548.6	538.1	(1.9)	Lower contributions from the packaging segment (-38% YoY), offset by higher contributions from the property segment (+9% YoY)
Operating margin (%)	16.0	16.1	16.5			16.6	16.2		
El/others	2.2	(2.3)	(5.8)	n.m.	n.m.	10.7	(8.5)	n.m.	
Reported operating profit	179.6	175.2	177.5	1.3	(1.2)	559.3	529.7	(5.3)	
Interest expense	(5.1)	(4.8)	(6.3)	32.0	23.1	(17.0)	(15.9)	(6.4)	
Share of associates	4.1	3.0	4.9	59.3	19.6	9.6	11.4	18.5	
Reported PBT	178.5	173.5	176.1	1.5	(1.4)	551.9	525.1	(4.9)	
Tax	(40.6)	(40.4)	(42.1)	4.1	3.5	(125.9)	(123.8)	(1.7)	
Effective tax rate (%)	22.8	23.3	23.9			22.8	23.6		
Minority interest	(7.4)	(9.2)	(10.1)	10.5	37.3	(16.6)	(24.9)	49.8	
Net profit	130.5	123.9	123.9	(0.1)	(5.1)	409.4	376.4	(8.0)	Met our and consensus expectations, at 73%
Core profit	128.3	126.3	129.7	2.7	1.1	398.6	384.9	(3.4)	
Core net margin (%)	11.6	11.4	11.7			12.1	11.6		

Source: Company data, RHB

Figure 2: Segmental results review

FYE Jul (MYRm)	3Q24	2Q25	3Q25	QoQ (%)	YoY (%)	9M24	9M25	YoY (%)
Revenue								
Packaging	656.9	630.7	614.8	-2.5	-6.4	1,943.1	1,871.2	-3.7
Property development	451.1	474.4	495.8	4.5	9.9	1,364.1	1,453.9	6.6
Total	1,108.0	1,105.1	1,110.5	0.5	0.2	3,307.3	3,325.1	0.5
							0.563	
Reported operating profit								
Packaging	58.4	42.1	34.5	-18.2	-40.9	172.8	107.6	-37.7
Property development	121.2	133.1	143.0	7.4	18.0	386.5	422.1	9.2
Total	179.6	175.2	177.5	1.3	-1.2	559.3	529.7	-5.3
Operating margin (%)								
Packaging	8.9	6.7	5.6			8.9	5.7	
Property development	26.9	28.1	28.9			28.3	29.0	
Total	16.2	15.9	16.0			16.9	15.9	

Source: Company data, RHB

Figure 3: SOP valuation

Divisions	Method	Valuation (MYRm)
Manufacturing	10x P/E on CY25F earnings	711.0
Property	RNAV (Discount of 35%)	4,729.6
	Total intrinsic value (MYRm)	0.0
	Fully diluted share base (m)	5,440.6
	Intrinsic value per share	1,551.3
	+0% ESG premium	0.00
	TP (MYR)	3.50

Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-03-13	Neutral	3.7	3.5
2024-12-18	Neutral	4.2	4.5
2024-09-25	Neutral	4.2	4.2
2024-06-23	Neutral	4.4	4.3
2024-03-27	Neutral	3.8	4.1
2023-12-15	Neutral	3.7	3.8
2023-09-20	Neutral	3.9	3.7
2023-06-21	Buy	3.8	3.4
2023-03-16	Buy	3.9	3.4
2022-12-09	Buy	4.0	3.4
2022-09-30	Buy	4.3	3.5
2022-06-14	Neutral	4.1	3.6
2022-03-17	Buy	4.7	4.0
2022-01-13	Neutral	4.9	4.9
2020-12-18	Neutral	11.5	4.1

Source: RHB, Bloomberg

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