

# Scientex Berhad

**TP: RM4.85 (+45.2%)**
*Manufacturing Continues to Weigh on Earnings*
*Last Traded: RM3.34*
**BUY (ESG: ★★★)**

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## Review

- Scientex Berhad's (Scientex) 3QFY25 results came in below our expectations but within consensus estimates. The deviation was mainly due to subdued sales and weaker margins in the manufacturing segment.
- 9MFY25 core net profit of RM131.5mn accounted for 65% and 72% of our and consensus full-year estimates, respectively.
- For 9MFY25, core earnings declined by 2.8% YoY, while revenue was flat at RM3.3bn. The weaker performance was mainly weighed down by the manufacturing segment, partially offset by improvements in the property segment.
- Manufacturing Segment.** 3QFY25 EBIT plunged 40.9% YoY to RM34.5mn, followed by a 6.4% YoY decline in revenue to RM614.8mn. The disappointing results were primarily due to softer demand from export markets, unfavourable foreign exchange movements, and stiff pricing competition in the global market. As a result, EBIT margin dropped by 3.1%-pts to 5.7%. Due to the weaker 3Q performance, 9MFY25 EBIT decreased by 37.7% YoY to RM107.6mn, while revenue dipped modestly by 3.7% YoY to RM1.8bn.
- Property Segment:** Positively, 3QFY25 turnover rose 9.9% YoY to RM495.8mn, supported by higher progress billings for projects in the Central and Southern regions, as well as stronger sales from seven new launches across the Northern, Central, and Southern regions. Following the higher revenue, segment EBIT surged 18.0% YoY to RM143.0mn. For 9MFY25, revenue increased by 6.6% YoY to RM1.4bn, while EBIT rose 9.2% YoY to RM422.1mn.
- The group announced a single-tier interim dividend of 6.0 sen per share, in line with 3QFY24.

## Impact

- We trimmed our FY25–27 earnings forecasts by 7.6% to 10.5% to reflect: i) softer demand, and ii) a lower average EBIT margin of 5.8%, down from 8.9%, for the manufacturing division.

## Outlook

- Manufacturing.** The demand for industrial packaging is expected to remain soft due to stiff pricing competition in the global market. On a positive note, we expect ASP and volume for consumer packaging to remain stable, supported by a wider range of product offerings and designs for customers. Looking ahead, management indicated that demand for sustainable packaging solutions will remain strong. As of now, approximately 40% of consumer packaging and 100% of industrial packaging are recyclable. In terms of sales mix, industrial packaging contributes around 52% to segmental revenue, while consumer packaging accounts for approximately 48%.

## Share Information

Bloomberg Code	SCI MK
Stock Code	4731
Listing	Main Market
Share Cap (mn)	1,556.3
Market Cap (RMmn)	5,197.9
52-wk Hi/Lo (RM)	4.68/3.21
12-mth Avg Daily Vol ('000 shrs)	630.0
Estimated Free Float (%)	33.0
Beta	1.0
<b>Major Shareholders (%)</b>	
Scientex Holdings & Related	41.4

## Forecast Revision

	FY25	FY26
Forecast Revision (%)	(10.5)	(7.6)
Net profit (RMm)	528.8	564.1
Consensus	538.0	591.3
TA's / Consensus (%)	98.3	95.4
Previous Rating	Buy (Maintained)	
Consensus Target Price (RM)	4.84	

## Financial Indicators

	FY25	FY26
Net debt/ equity (%)	12.2	8.4
ROE (%)	13.4	13.1
ROA (%)	8.3	8.3
NTA/Share (RM)	2.5	2.7
Price/ NTA (x)	1.3	1.2

## Scorecard

	% of FY	
vs TA	65	Below
vs Consensus	72	Within

## Share Performance (%)

Price Change	SCIENTX	FBM KLCI
1 mth	(12.1)	(3.9)
3 mth	(7.2)	(1.1)
6 mth	(25.8)	(5.6)
12 mth	(22.5)	(5.9)

## (12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

- **Property.** Moving into 4QFY25, the group will continue to expedite its rezoning and construction progress to meet its targeted GDV launches of RM2.0bn in FY25, in line with FY24. Meanwhile, our internal forecast suggests that the OPR will likely remain at the current level, as the inflation rate remained low as of April. As such, we expect demand to stay resilient, supported by the current affordable financing cost. For FY25, the group plans to launch 8,000 units of affordable housing (from 6,336 units in FY24).

### Valuation

- We have revised our TP to **RM4.85/share** (from RM5.54/share) after rolling forward our valuation base year to CY26 and lowering our target PER to align with peers. The valuation is based on a sum-of-parts (SOP) approach (see Table 3). Maintain **Buy**.

**Table 1: 3QFY25 Results Analysis**

FYE July (RM'mn)	3QFY24	2QFY25	3QFY25	QoQ (%)	YoY (%)	9MFY24	9MFY25	YoY (%)
Revenue	1,108.0	1,105.1	1,110.5	0.5	0.2	3,307.3	3,325.1	0.5
~ Manufacturing	656.9	630.7	614.8	(2.5)	(6.4)	1,943.1	1,871.2	(3.7)
~ Property	451.1	474.4	495.8	4.5	9.9	1,364.1	1,453.9	6.6
Interest Expense	(5.1)	(4.8)	(6.3)	(32.0)	(23.1)	(17.0)	(15.9)	6.4
Investing Results	4.1	3.0	4.9	59.3	19.6	9.6	11.4	18.5
Depreciation	(32.8)	(34.5)	(34.9)	(1.3)	(6.4)	(98.9)	(103.1)	(4.3)
EBITDA	212.4	209.7	212.4	1.3	0.0	658.2	632.8	(3.9)
Operating Profit	179.6	175.2	177.5	1.3	(1.2)	559.3	529.7	(5.3)
~ Manufacturing	58.4	42.1	34.5	(18.2)	(40.9)	172.8	107.6	(37.7)
~ Property	121.2	133.1	143.0	7.4	18.0	386.5	422.1	9.2
EI	2.5	(1.5)	(7.7)	>-100	nm	12.8	(9.2)	nm
Reported PBT	178.5	173.5	176.1	1.5	(1.4)	551.9	525.1	(4.9)
Taxation	(40.6)	(40.4)	(42.1)	(4.1)	(3.5)	(125.9)	(123.8)	1.7
Minority Interest	(7.4)	(9.2)	(10.1)	(10.5)	(37.3)	(16.6)	(24.9)	(49.8)
Reported Profit	130.5	123.9	123.9	(0.1)	(5.1)	409.4	376.4	(8.0)
Adj. Net Profit	128.0	125.5	131.5	4.8	2.7	396.6	385.6	(2.8)
EPS (sen)	8.4	8.0	8.0	(0.1)	(5.4)	26.4	24.2	(8.2)
Adj EPS (sen)	8.3	8.1	8.5	4.8	2.4	25.6	24.8	(3.0)
DPS (sen)	6.0	0.0	6.0	nm	-	6.0	6.0	-
				%-pts	%-pts			%-pts
EBIT Margin (%)	16.2	15.9	16.0	0.1	(0.2)	16.9	15.9	(1.0)
~ Manufacturing	8.9	6.7	5.6	(1.1)	(3.3)	8.9	5.7	(3.1)
~ Property	26.9	28.1	28.9	0.8	2.0	28.3	29.0	0.7
PBT Margin (%)	16.1	15.7	15.9	0.2	(0.3)	16.7	15.8	(0.9)
Core Net Margin (%)	11.6	11.4	11.8	0.5	0.3	12.0	11.6	(0.4)
Tax rate (%)	22.8	23.3	23.9	0.6	1.1	22.8	23.6	0.8

**Table 2: Earnings Summary**

FYE July (RM mn)	FY23	FY24	FY25E	FY26F	FY27F	
Revenue	4,076.9	4,475.6	4,558.0	4,827.5	5,071.7	
Gross Profit	889.5	1,008.9	1,102.3	1,137.9	1,141.8	
EBITDA	713.5	868.6	852.3	893.7	936.7	
EBIT	589.6	736.5	722.8	762.4	803.9	
Reported PBT	568.7	728.9	720.9	762.0	807.0	
Adj. PBT	594.1	720.1	720.9	762.0	807.0	
Reported Net Profit	438.1	545.2	528.8	564.1	600.6	
Adj. Net profit	463.6	536.4	528.8	564.1	600.6	
Basic/Diluted EPS	(sen)	28.2	35.0	34.0	36.2	38.6
Adj. EPS	(sen)	29.8	34.5	34.0	36.2	38.6
PER	(x)	11.9	9.5	9.8	9.2	8.7
Net Dividend	(sen)	10.0	12.0	13.0	13.0	15.5
Dividend Yield	(%)	3.0	3.6	3.9	3.9	4.6

**Table 3: Sum-of-Parts Valuation**

Segment	Valuation Method	Equity Value (RM mn)
Manufacturing	CY26 EPS PER 14x (from 15x)	2,059.7
Property	CY26 EPS PER 12x (from 14x)	5,545.9
Equity value (RM mn)		7,605.6
+ Proceed from Warrant Conversion (RM mn)		444.1
Total Equity Value (RM mn)		8,049.8
Share cap (mn)		1,556.3
+ Warrant Conversion (mn)		103.3
Enlarged Share Cap (mn)		1,659.6
+ ESG Premium:		-
<b>Target Price (RM)</b>		<b>4.85</b>

### 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
<b>Scoring</b>	★★★	★★★★	★★★	★★★
<b>Remark</b>	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

### Disclaimer

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As of Thursday, June 19, 2025, the analyst, Liew Yi Jiet, who prepared this report, has interest in the following securities covered in this report:  
(a) nil

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