

COMPANY RESULTS

Scientex (SCI MK)

9MFY25: Packaging Continued To Drag

Scientex's 9MFY25 results came in marginally below expectations. Stiff competition and unfavourable forex resulted in continued weakness in the packaging segment, offset partially by slightly better performance from the property division. Looking forward, the immediate outlook appears mixed with headwinds in the packaging sector stemming from oversupply from China clouding the more robust property earnings. Maintain BUY with a higher target price of RM4.10 as we roll over our valuations.

3QFY25 RESULTS

Year to 31 Jul (RMm)	3QFY25	qoq % chg	yoy % chg	9MFY25	yoy % chg
Turnover	1110.5	0.5	0.2	3,325.1	0.5
Manufacturing	614.8	(2.5)	(6.4)	1,871.2	(3.7)
Property	495.8	4.5	9.9	1,453.9	6.6
EBIT	177.5	1.3	(1.2)	529.7	(5.3)
Manufacturing	34.5	(18.2)	(40.9)	107.6	(37.7)
Property	143.0	7.4	18.0	422.1	9.2
Finance costs	(6.3)	32.0	23.1	(15.9)	(6.4)
PBT	176.1	1.5	(1.4)	525.1	(4.9)
Core net profit	130.1	3.3	(0.4)	385.0	(3.6)
Margins (%)	(%)	+/- ppt	+/- ppt	(%)	+/- ppt
EBIT	16.0	0.1	(0.2)	15.9	(1.0)
-Manufacturing	5.6	(1.1)	(3.3)	5.7	(3.1)
-Property	28.9	0.8	2.0	29.0	0.7
PBT	15.9	0.2	(0.3)	15.8	(0.9)
Core net profit	11.7	0.4	(0.0)	11.6	(0.5)

Source: Scientex, UOB Kay Hian

RESULTS

• **Slightly below expectations.** Scientex's 9MFY25 core net profit came in at RM385.0m (-3.6% yoy) after excluding forex losses and disposal gains. This was marginally below expectations, making up 71% and 72% of our and consensus full-year forecasts, respectively. The negative deviation came largely from weaker-than-expected packaging earnings. Scientex declared a first interim dividend of 6 sen, unchanged yoy.

KEY FINANCIALS

Year to 31 Jul (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	4,077	4,479	4,336	4,861	5,183
EBITDA	713	869	840	910	980
Operating profit	590	737	678	752	825
Net profit (rep./act.)	438	545	520	577	633
Net profit (adj.)	438	545	520	577	633
EPS (sen)	28.3	35.2	33.5	37.3	40.9
PE (x)	11.7	9.4	9.9	8.9	8.1
P/B (x)	1.5	1.4	1.2	1.1	1.0
EV/EBITDA (x)	8.4	7.0	6.7	6.8	6.4
Dividend yield (%)	3.0	3.6	3.0	3.4	3.7
Net margin (%)	10.7	12.2	12.0	11.9	12.2
Net debt/(cash) to equity (%)	19.8	18.0	5.0	16.1	16.7
Interest cover (x)	21.3	38.4	57.3	69.3	74.5
ROE (%)	13.9	16.3	14.8	15.5	16.1
Consensus net profit	-	-	538	591	640
UOBKH/Consensus (x)	-	-	0.97	0.98	0.99

Source: Scientex, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM3.34
Target Price	RM4.10
Upside	+22.8%
(Previous TP)	RM4.05

COMPANY DESCRIPTION

Scientex is one of the largest industrial packaging companies in the world and a niche property developer in Southern Malaysia.

STOCK DATA

GICS sector	Materials
Bloomberg ticker:	SCI MK
Shares issued (m):	1,556.3
Market cap (RMm):	5,197.9
Market cap (US\$m):	1,223.0
3-mth avg daily t'over (US\$m):	0.5

Price Performance (%)

52-week high/low RM4.44/RM3.24

1mth	3mth	6mth	1yr	YTD
(12.1)	(7.2)	(26.9)	(24.8)	(24.8)

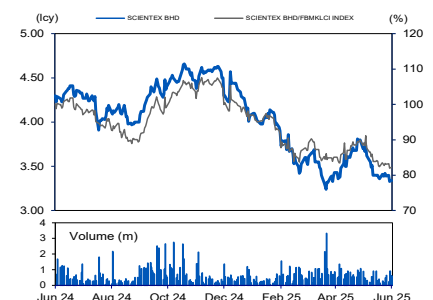
Major Shareholders

	%
Scientex Holdings Sdn Bhd	20.9
Scientex Infinity Sdn Bhd	11.7
Scientex Leasing Sdn Bhd	9.1

FY25 NAV/Share (RM) 2.5

FY25 Net Debt/Share (RM) (0.2)

PRICE CHART



Source: Bloomberg

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• **Packaging segment pressured by competition.** Scientex's packaging segment reported revenue of RM614.8m (-2.5% qoq, -6.4% yoy) in 3QFY25. EBIT fell to RM34.5m (-18.2% qoq, -40.9% yoy) as fierce competition and unfavourable forex resulted in margin compression (-1.1ppt qoq, -3.3ppt yoy). To recall, Scientex had previously mentioned that new capacity coming online from China had resulted in manufacturers lowering ASPs to maintain market share, especially for export sales. Despite utilisation rate improving marginally to 60% (vs 59% in 2QFY25), margins remained pressured by the overcapacity in the market. Positively, impact from the US tariffs appears to be minimal with the Arizona plant's utilisation rate improving to 45% from 40% previously.

• **Property earnings remained robust.** The property segment posted EBIT of RM143.0m (+7.4% qoq, +18.0% yoy) on revenue of RM495.8 (+4.5% qoq, +9.9% yoy). The segment was buoyed by steady construction progress for its ongoing projects as well as 7 new project launches during 3QFY25. Scientex launched RM700m in new projects during 3QFY25, bringing the ytd total to RM1.7b (FY24:RM1.8b). Unbilled sales stood at RM1.9b as of 3QFY25 and take up rates remain decent with the new launches seeing around 65% take-up.

STOCK IMPACT.

• **Diverging outlooks.** Going forward, the outlook for Scientex appears mixed. On one hand, property earnings continue to remain robust and recent landbanking activities and new launches signal that the division is expected to continue delivering. On the other, packaging continues to face structural headwinds at this juncture stemming from oversupply following new capacity coming online in China during 1HFY25. As a result, we believe the property segment will remain the main growth driver for Scientex in the near-term, pending potential consolidation in the packaging industry.

• **Property launches picking up steam.** The outlook for the property segment remains the bright spot for the group. We understand that Scientex may increase the pace of its launches going forward in tandem with the uptick in landbanking. The recent landbanking activities and strong reception to launches thus far signal for better times ahead for the segment, although any launches involving new landbanks will probably not be captured within FY25 given the time needed to rezone and convert the land titles.

EARNINGS REVISION/RISK

• We lower our FY25/26/27 forecasts by 5%/4%/4% respectively, imputing lower margins for the manufacturing segment.

VALUATION/RECOMMENDATION

• **Maintain BUY with a slightly higher target price of RM4.10 (previously RM4.05)** as we roll over our valuations to FY26. Our target price is based on a FY26F PER of 11x or -1.0SD to its five-year mean. We believe this is justified given the structural challenges faced by the packaging segment at this juncture.

• Despite the somewhat cloudy outlook, we believe value has emerged with current valuations presenting an attractive entry point. Scientex currently trades at -2.0SD to its five-year mean.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

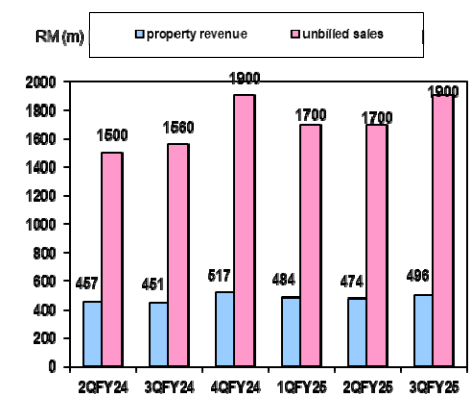
<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> - First plastic film manufacturer in Malaysia to receive the ISCC Plus Certification. - 8.2% decrease in groupwide greenhouse gas emissions in FY21.
<ul style="list-style-type: none"> • Social <ul style="list-style-type: none"> - Spent RM5.3m in community investment in response to the COVID-19 pandemic. - Members of local communities comprise 78% of workforce.
<ul style="list-style-type: none"> • Governance <ul style="list-style-type: none"> - Comprehended and applied Malaysian Code on Corporate Governance (MCCG).

KEY ASSUMPTIONS

	FY25F	FY26F	FY27F
Manufacturing	2436.0	2861.2	3083.1
Property	1900.0	2000.0	2100.0
Total Revenue	4336.0	4861.2	5183.1
Manufacturing	126.7	171.7	215.8
Property	551.0	580.0	609.0
EBIT	677.7	751.7	824.8

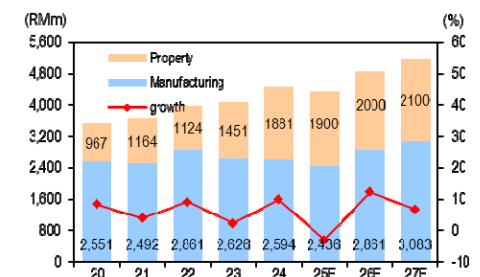
Source: UOB Kay Hian

PROPERTY SEGMENT'S REVENUE AND UNBILLED SALES



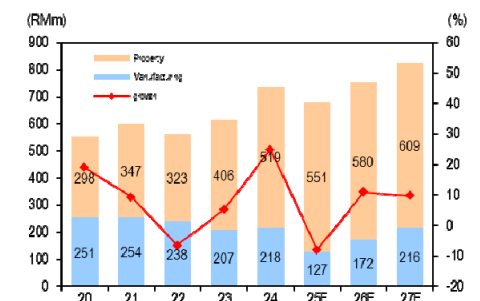
Source: Scientex, UOB Kay Hian

SALES BY SEGMENT



Source: Scientex, UOB Kay Hian

EBIT BY SEGMENT



Source: Scientex, UOB Kay Hian

PROFIT & LOSS

Year to 31 Jul (RMm)	2024	2025F	2026F	2027F
Net turnover	4,479	4,336	4,861	5,183
EBITDA	869	840	910	980
Deprec. & amort.	132	162	158	155
EBIT	737	678	752	825
Associate contributions	15	15	15	15
Net interest income/(expense)	(23)	(15)	(13)	(13)
Pre-tax profit	729	678	753	827
Tax	(160)	(136)	(151)	(165)
Minorities	(24)	(23)	(25)	(28)
Net profit	545	520	577	633
Net profit (adj.)	545	520	577	633

BALANCE SHEET

Year to 31 Jul (RMm)	2024	2025F	2026F	2027F
Fixed assets	1,524	2,537	2,479	2,424
Other LT assets	2,231	3,528	4,328	4,728
Cash/ST investment	252	658	138	36
Other current assets	2,146	1,472	1,686	1,947
Total assets	6,154	8,194	8,631	9,135
ST debt	863	566	567	567
Other current liabilities	1,054	684	689	721
LT debt	70	301	302	302
Other LT liabilities	155	153	154	154
Shareholders' equity	3,776	4,140	4,544	4,987
Minority interest	235	258	283	311
Total liabilities & equity	6,153	6,101	6,538	7,042

CASH FLOW

Year to 31 Jul (RMm)	2024	2025F	2026F	2027F
Operating	859	861	754	788
Pre-tax profit	729	678	753	827
Tax	(132)	(136)	(151)	(165)
Deprec. & amort.	166	162	158	155
Working capital changes	126	157	(7)	(28)
Other operating cashflows	(30)	-	-	-
Investing	(640)	(1,400)	(900)	(500)
Capex (growth)	(699)	(100)	(100)	(100)
Investments	-	-	-	-
Proceeds from sale of assets	30	-	-	-
Others	30	(1,300)	(800)	(400)
Financing	(133)	944	(373)	(390)
Dividend payments	(192)	(156)	(173)	(190)
Issue of shares	-	-	-	-
Proceeds from borrowings	93	1,300	-	-
Loan repayment	-	(200)	(200)	(200)
Others/interest paid	(34)	-	-	-
Net cash inflow (outflow)	86	405	(520)	(102)
Beginning cash & cash equivalent	166	252	658	138
Changes due to forex impact	-	-	-	-
Ending cash & cash equivalent	252	658	138	36

KEY METRICS

Year to 31 Jul (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	19.4	19.4	18.7	18.9
Pre-tax margin	16.3	15.6	15.5	15.9
Net margin	12.2	12.0	11.9	12.2
ROA	9.7	7.8	8.4	8.9
ROE	16.3	14.8	15.5	16.1
Growth				
Turnover	22.5	18.6	33.0	41.8
EBITDA	44.8	40.0	51.7	63.3
Pre-tax profit	48.7	38.3	53.7	68.6
Net profit	57.4	50.0	66.7	82.9
Net profit (adj.)	57.4	50.0	66.7	82.9
EPS	57.4	50.0	66.7	82.9
Leverage				
Debt to total capital	23.3	19.7	18.0	16.4
Debt to equity	24.7	20.9	19.1	17.4
Net debt/(cash) to equity	18.0	5.0	16.1	16.7
Interest cover (x)	38.4	57.3	69.3	74.5

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