Scientex (SCI MK)

FY25: In Line; Property Launches Picking Up Steam

BUY (Maintained)	
Share Price	RM3.23
Target Price	RM4.03
Upside	+24.6%

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Highlights

- **FY26 core earnings were in line.** 4Q25 earnings picked sequentially on higher property earnings and better packaging margins.
- **Property segment remained the highlight,** with EBIT picking up 14% off of increased launches in FY25.
- **We trim our FY26/27 forecasts by 2%,** mainly for housekeeping. Maintain BUY with a slightly lower target price of RM4.03.

FY25 Results

Year to 31 Jul (RMm)	4QFY25	qoq % chg	yoy % chg	FY25	yoy % chg
Turnover	1192.6	7.4	2.1	4,517.7	0.9
Manufacturing	612.5	(0.4)	(6.0)	2,483.8	(4.3)
Property	580.1	17.0	12.2	2,033.9	8.1
EBIT	212.4	19.7	19.9	742.1	0.8
Manufacturing	42.2	22.3	(6.7)	149.8	(31.3)
Property	170.2	19.0	29.0	592.3	14.2
PBT	210.2	19.4	18.7	735.3	0.9
Core net profit	132.0	1.5	(5.9)	516.7	(5.8)
Margins	(%)	+/- ppt	+/- ppt	(%)	+/- ppt
EBIT	17.8	1.8	2.6	16.4	(0.0)
-Manufacturing	6.9	1.3	(0.1)	6.0	(2.4)
-Property	29.3	0.5	3.8	29.1	1.6
PBT	17.6	1.8	2.5	16.3	(0.0)
Core net profit	11.1	(0.6)	(0.9)	11.4	(0.8)

Source: Scientex, UOB Kay Hian

Analysis

- **FY25 results met expectations.** Scientex reported a core net profit of RM516.7m (-5.8% yoy) in FY25. We arrive at this after excluding: a) RM1.1m in forex losses, b) RM0.1 in disposal losses, c) RM4.2m in fair value gains on investment properties and d) RM10.2m in revaluation gains on fixed assets. This met expectations, making up 99% of both our and consensus full-year forecasts. An interim dividend of 6 sen was announced, bringing the total for the year to 12 sen (unchanged yoy).

Key Financials

Year to 31 Jul (RMm)	2,024	2,025	2026F	2027F	2028F
Net turnover	4,479	4,518	5,033	5,303	5,475
EBITDA	872	860	974	1,039	1,059
Operating profit	737	742	808	877	901
Net profit (rep./act.)	545	531	568	618	635
Net profit (adj.)	549	517	568	618	635
EPS (sen)	35.4	33.3	36.6	39.9	41.0
PE (x)	9.1	9.6	8.8	8.1	7.8
P/B (x)	1.3	1.2	1.1	1.0	0.9
EV/EBITDA (x)	6.8	8.3	7.5	7.1	7.1
Dividend yield (%)	3.7	3.7	3.4	3.7	3.8
Net margin (%)	12.2	11.7	11.3	11.7	11.6
Net debt/(cash) to equity (%)	18.0	48.4	44.1	41.9	39.7
Interest cover (x)	38.4	38.9	25.1	26.8	27.3
ROE (%)	16.4	14.7	15.3	15.7	15.3
Consensus net profit	-	-	565	614	640
UOBKH/Consensus (x)	-	-	1.0	1.0	1.0

Source: Scientex, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Materials
Bloomberg ticker:	SCI MK
Shares issued (m):	1,556.3
Market cap (RMm):	5,026.7
Market cap (US$m):	1,200.3
3-mth avg daily t'over (US$m):	0.6

Price Performance (%)

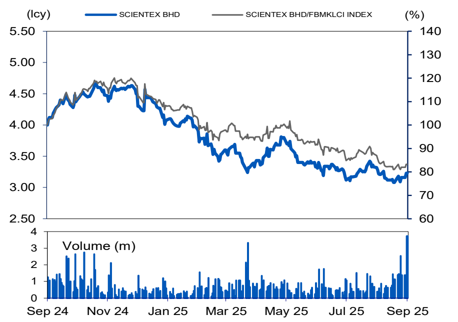
52-week high/low: RM4.66/RM3.08

1mth	3mth	6mth	1yr	YTD
(3.0)	(3.0)	(10.3)	(19.3)	(24.8)

Major Shareholders

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

Price Chart



Source: Bloomberg

Company Description

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

- **Packaging segment showing some bright spots.** Scientex's packaging segment reported an EBIT of RM42.2m (+22.3% qoq, -6.7% yoy) on revenue of RM612.5m (-0.4% qoq, -6.0% yoy). Despite the minor decline in revenue, earnings improved sequentially as continued cost optimisation resulted in margins expanding 1.3ppt qoq. However, the segment remained pressured by competition from China as additional capacity that had come online in early-FY25 resulted in minor oversupply. Positively, utilisation rate held steady at 60%. However, pressure on ASPs and unfavourable forex have resulted in sustained margin compression which we believe will continue into FY26.
- **Property sales picked up sequentially.** The property segment posted an EBIT of RM170.2m (+19.0% qoq, +29.0% yoy) on revenue of RM580m (+17.0% qoq, +12.2% yoy). Property sales improved sequentially as Scientex launched an additional RM800m in property projects during 4QFY25, bringing the total for the year to RM2.55b (FY24: RM1.8b). Unbilled sales stood at RM2.0b and take-up rates remained resilient at 70%.
- **Bright spots amid mixed outlook.** Looking forward, the outlook for Scientex has diverged significantly between its two segments. On one hand, the plastics segment continues to face intense competition and it may be 1-2 years before the market consolidates to a meaningful degree. On the other, Scientex's higher launch target of RM3.0b in FY26 alongside its uptick in land banking signals better times ahead for the property segment. Overall, we anticipate the property segment remaining the main earnings driver going forward with contributions from the six land bank acquisitions in FY25 expected to kick-in from FY26 onwards.
- However, we do see some bright spots in the packaging segment. Scientex's raw material pricing has come down slightly and savings from the new electricity tariffs as well as the recently-completed solar PV systems at 10 plants have already resulted in margin expansion. Additionally, while supply from China has driven down ASPs, the segment appears to have largely stabilised, which could signal that prices have bottomed out for now.

Valuation/Recommendation

- **Maintain BUY with a slightly lower target price of RM4.03 (previously RM4.10).** 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.

Earnings Revision/Risk

- We trim our FY26/27 forecasts by 2%, largely for housekeeping following the full-year results.

Environmental, Social, Governance (ESG) Updates

Environmental

- First plastic film manufacturer in Malaysia to receive the ISCC Plus Certification.
- An 11.1% decrease in groupwide greenhouse gas emissions in FY24.

Social

- Spent RM5.3m in community investment in response to the COVID-19 pandemic.
- Members of local communities comprise 78% of workforce.

Governance

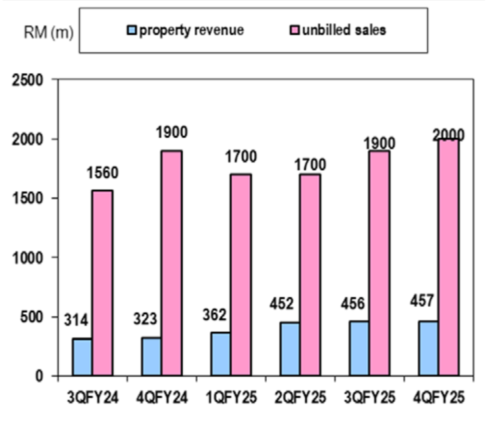
- Comprehended and applied Malaysian Code on Corporate Governance (MCCG).

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

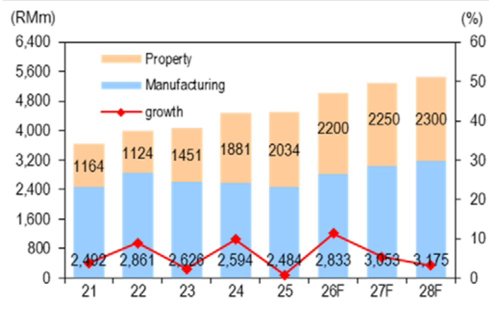
Source: Bloomberg

Property Segment Revenue & Unbilled Sales



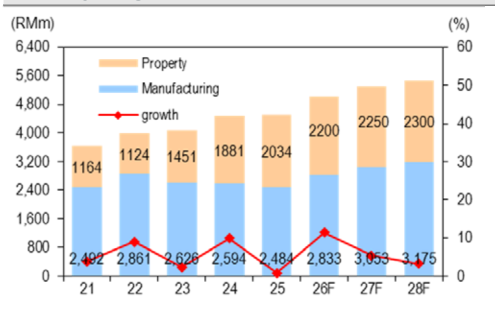
Source: Scientex, UOB Kay Hian

Sales By Segment



Source: Scientex, UOB Kay Hian

EBIT By Segment



Source: Scientex, UOB Kay Hian

Profit & Loss

Year to 31 Jul (RMm)	2,025	2026F	2027F	2028F
Net turnover	4,518	5,033	5,303	5,475
EBITDA	860	974	1,039	1,059
Deprec. & amort.	132	166	162	158
EBIT	742	808	877	901
Associate contributions	16	16	16	16
Net interest income/(expense)	(22)	(39)	(39)	(39)
Pre-tax profit	735	785	854	878
Tax	(170)	(181)	(197)	(202)
Minorities	(34)	(37)	(40)	(41)
Net profit	531	568	618	635
Net profit (adj.)	517	568	618	635

Balance Sheet

Year to 31 Jul (RMm)	2025	2026F	2027F	2028F
Fixed assets	1,637	2,597	2,535	2,477
Other LT assets	3,883	4,283	4,683	5,083
Cash/ST investment	446	446	364	296
Other current assets	2,103	1,256	1,306	1,339
Total assets	8,069	8,583	8,889	9,196
ST debt	1,380	1,380	1,380	1,380
Other current liabilities	1,083	1,163	996	818
LT debt	1,060	1,060	1,060	1,060
Other LT liabilities	161	160	160	160
Shareholders' equity	4,124	4,521	4,954	5,398
Minority interest	261	298	338	379
Total liabilities & equity	8,069	8,583	8,889	9,196

Cash Flow

Year to 31 Jul (RMm)	2,025	2026F	2027F	2028F
Operating	909	871	803	823
Pre-tax profit	735	785	854	878
Tax	(174)	(181)	(197)	(202)
Deprec. & amort.	170	166	162	158
Working capital changes	212	101	(17)	(11)
Other operating cashflows	(34)	-	-	-
Investing	(1,961)	(500)	(500)	(500)
Capex (growth)	(1,976)	(100)	(100)	(100)
Investments	-	-	-	-
Proceeds from sale of assets	4	-	-	-
Others	11	(400)	(400)	(400)
Financing	1,245	(370)	(385)	(390)
Dividend payments	(217)	(170)	(185)	(190)
Issue of shares	22	-	-	-
Proceeds from borrowings	1,505	-	-	-
Loan repayment	-	(200)	(200)	(200)
Others/interest paid	(64)	-	-	-
Net cash inflow (outflow)	193	1	(83)	(67)
Beginning cash & cash equivalent	252	446	446	364
Changes due to forex impact	-	-	-	-
Ending cash & cash equivalent	446	446	364	296

Key Metrics

Year to 31 Jul (%)	2,025	2026F	2027F	2028F
Profitability				
EBITDA margin	19.3	19.3	19.6	19.3
Pre-tax margin	16.3	15.6	16.1	16.0
Net margin	11.7	11.3	11.7	11.6
ROA	8.1	8.3	8.8	8.9
ROE	14.7	15.3	15.7	15.3
Growth				
Turnover	23.6	37.7	45.1	49.8
EBITDA	45.7	62.4	73.3	76.6
Pre-tax profit	50.0	60.1	74.3	79.1
Net profit	53.2	63.9	78.4	83.2
Net profit (adj.)	53.2	63.9	78.4	83.2
EPS	48.9	63.6	78.1	82.9
Leverage				
Debt to total capital	55.6	50.6	46.1	42.2
Debt to equity	59.2	54.0	49.3	45.2
Net debt/(cash) to equity	48.4	44.1	41.9	39.7
Interest cover (x)	38.9	25.1	26.8	27.3

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