"Seeing some signs of recovery in plastic segment"

Scientex (SCI MK)

BUY (upgrade)
Up/Downside: +16.9%

Price Target: RM4.00
Previous Target (Rating): RM3.50

Plastic seems to have bottomed out

- **Scientex released a decent 1QFY26 results, especially the plastics segment showing early signs of recovery with margins stabilizing**
- **We think the turnaround in Scientex's plastics segment is finally providing the comfort investors have been waiting for. The stock is now trading at close to 2SD below its 5-year PE, which we see it offers an attractive risk-reward profile with limited downside**
- **Upgrade to BUY with a higher TP of RM4.00**

Decent set of results – both plastic and property were solid

Scientex delivered a decent set of 1QFY26 results, with sales rising 4% yoy, while PATAMI grew a stronger 11% yoy, driven mainly by margin expansion in the plastics segment. Plastics EBIT margins expanded by 2.4 ppt yoy, supported by a more favourable sales mix as well as ongoing cost-saving and operational efficiency initiatives. This, in turn, drove plastics segment profit to jump 50% yoy. Meanwhile, the property segment continued to deliver steadily, with EBIT up 8% yoy, underpinned by resilient demand for affordable housing and a strong take-up rate.

Plastic seems to have bottomed out

Overall, we think this is a good set of results, particularly as the plastics segment shows some signs of bottoming out. Recall that management previously indicated during the briefing that the plastic industry possibly is at the lower end of the downcycle, we are encouraged to see this now has reflected in the numbers with ASPs stabilizing, which will help support the segment's performance and ease some of the market's concerns. On the other hand, we expect its property division to continue delivering, as the company targets RM3.0bn in GDV launches this year, up from RM2.5bn in FY25. We are confident Scientex can achieve this target, supported by its strong execution track record and the continued robust demand for affordable housing.

Upgrade to BUY with a higher TP of RM4.00

The turnaround in Scientex's plastics segment is finally providing the comfort investors have been waiting for. The stock is trading at close to 2SD below its 5-year mean PE, which we see it offers an attractive risk-reward profile with limited downside. As such, we upgrade Scientex to a BUY with a higher SOTP-based TP of RM4.00, as we increased our target PE for plastic segment to 18x (from 14x previously). This TP implies an 11x forward PER (5-year mean PE) to our CY26E EPS. Downside risks include higher resin and building material costs, and lower sales across the packaging and property segments.

Earnings & Valuation Summary

FYE 31 Jul	2024	2025	2026E	2027E	2028E
Revenue (RMm)	4,475.6	4,517.7	4,850.9	5,174.8	5,371.4
EBITDA (RMm)	876.3	883.1	950.0	1,012.9	1,070.5
Pretax profit (RMm)	728.9	735.3	749.3	789.8	835.4
Net profit (RMm)	545.2	530.8	567.7	598.0	633.1
EPS (sen)	35.2	34.1	36.6	38.6	40.8
PER (x)	9.7	10.2	9.3	8.9	8.4
Core net profit (RMm)	549.2	530.8	567.7	598.0	633.1
Core EPS (sen)	35.2	34.1	36.6	38.6	40.8
Core EPS growth (%)	17.8	-2.9	9.4	5.3	5.9
Core PER (x)	9.7	10.2	9.3	8.9	8.4
Net DPS (sen)	12.0	13.0	15.0	17.0	17.0
Dividend Yield (%)	3.5	3.8	4.4	5.0	5.0
EV/EBITDA	6.9	7.0	6.3	5.8	5.3
Chg in EPS (%)			-	-	-
Affin/Consensus (x)			1.0	1.0	0.9

Source: Company, Affin Hwang estimates

Share price performance

	1M	3M	12M
Absolute (%)	-1.4	5.9	-24.0
Rel KLCI (%)	-2.3	4.0	-26.0

	BUY	HOLD	SELL
Consensus	6	1	-

Source: Bloomberg

Stock Data

Sector	Plastics Packaging
Issued shares (m)	1,556.3
Mkt cap (RMm)/(US$m)	5,322.4/1,300.5
Avg daily vol - 6mth (m)	0.9
52-wk range (RM)	3.06-4.59
Est free float	41.3%
Stock Beta	1.01
Net cash/(debt) (RMm)	(1,998.48)
ROE (CY26E)	14.0%
Derivatives	Nil
Shariah Compliant	Yes
FTSE4Good Constituent	Yes
FBM EMAS (Top 200)	Top 26-50%
ESG Risk Rating	18.4 (+0.0 yoy)

Key Shareholders

Scientex Holdings SB	20.9%
Scientex Leasing SB	11.7%
Scientex Infinity SB	9.1%

Source: Bloomberg, Affin Hwang, ESG Risk Rating Powered by Sustainalytics, Bursa Malaysia

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1: Results Comparison

FYE Jul (RMm)	1Q25	4Q25	1Q26	QoQ % chg	YoY % chg	Comments
Revenue	1,109.4	1,192.6	1,155.1	*(3.1)*	*4.1*	Supported by both plastic and property segments
Op costs	(898.8)	(945.4)	(915.8)	*(3.1)*	*1.9*	
EBITDA	**210.6**	**247.2**	**239.4**	***(3.2)***	***13.6***	
EBITDA margin (%)	*19.0*	*20.7*	*20.7*	*0 ppt*	*1.7 ppt*	Margins expanded mainly due to the recovery in plastic segments
Dep and amort	(33.7)	(34.8)	(35.0)	*0.8*	*3.8*	
EBIT	*176.9*	*212.4*	*204.4*	*(3.8)*	*15.5*	
EBIT margin (%)	*15.9*	*17.8*	*17.7*	*-0.1 ppt*	*1.7 ppt*	
Int expense	(4.8)	(6.6)	(6.8)	*2.9*	*39.2*	
Int and other inc	3.5	4.3	4.1	*(3.8)*	*18.6*	
Exceptional items	-	-	-	-	-	
Pretax profit	**175.5**	**210.2**	**201.7**	***(4.0)***	***14.9***	
Tax	(41.3)	(46.4)	(47.8)	*3.0*	*15.7*	
Tax rate (%)	23.5	22.1	23.7	*1.6 ppt*	*0.2 ppt*	
MI	(5.6)	(9.4)	(11.0)	*17.0*	*96.1*	
Net profit	**128.6**	**154.3**	**142.9**	***(7.4)***	***11.1***	
EPS (sen)	8.3	9.9	9.2	*(7.4)*	*11.1*	
Core net profit	**128.6**	**154.3**	**142.9**	***(7.4)***	***11.1***	Within expectations (25% to our and consensus forecasts)

Source: Affin Hwang, Company

Fig 2: Segment comparison

FY July (RMm)	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	qoq % chg	yoy % chg
Revenue	**1,109.4**	**1,105.1**	**1,110.5**	**1,192.6**	**1,155.1**	***(3.1)***	***4.1***
Packaging	625.7	630.7	614.8	612.5	628.5	*2.6*	*0.4*
Property	483.7	474.4	495.8	580.1	526.6	*(9.2)*	*8.9*
EBIT	**176.9**	**175.2**	**177.5**	**212.4**	**204.4**	***(3.8)***	***15.5***
Packaging	31.0	42.1	34.5	42.2	46.3	*9.9*	*49.6*
Property	145.9	133.1	143.0	170.2	158.0	*(7.2)*	*8.3*
EBIT margin (%)	*15.9*	*15.9*	*16.0*	*17.8*	*17.7*	*-0.1 ppt*	*1.7 ppt*
Packaging (%)	*5.0*	*6.7*	*5.6*	*6.9*	*7.4*	*0.5 ppt*	*2.4 ppt*
Property (%)	*30.2*	*28.1*	*28.9*	*29.3*	*30.0*	*0.7 ppt*	*-0.2 ppt*

Source: Affin Hwang, Company

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- Before engaging in any trading, please thoroughly confirm accounting and tax treatments regarding your trading in financial instruments with such experts as certified public accountants.

* The amount of the trading commission cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

** The ratio of margin requirements etc. to the amount of the transaction cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

When making an actual transaction, please be sure to carefully read the materials presented to you prior to the execution of agreement, and to take responsibility for your own decisions regarding the signing of the agreement with our company.

Corporate Name:	Daiwa Securities Co. Ltd.
Registered:	Financial Instruments Business Operator, Chief of Kanto Local Finance Bureau (Kin-sho) No.108
Memberships:	Japan Securities Dealers Association, The Financial Futures Association of Japan, Japan Investment Advisers Association, Type II Financial Instruments Firms Association, Japan Security Token Offering Association