



2QFY26 earnings mostly in line with our estimates

Quick Note

Scientex reported 2QFY26 core net profit of MYR139.8mn (-1% q-q, +11% y-y), with the quarter demonstrating continued operational improvements in the Packaging division (+9% q-q, +20% y-y operating profit) and steady contributions from the Property division (-10% q-q, +7% y-y operating profit). The company's 1HFY26 earnings accounted for 47%/49% of our / Bloomberg consensus estimates, which we deem in line with our expectations. The Packaging and Property division revenues accounted for 45% and 49% of our FY26F forecasts, respectively.

SCI's 2QFY26 revenue declined 2% q-q to MYR1.14bn (+3% y-y). The Packaging division's revenue declined marginally by 0.3% q-q to MYR626.9mn (-0.6% y-y), impacted by currency translation effects from the strengthened Malaysian ringgit, though sales volumes improved. The Property division's revenue declined 3% q-q to MYR509.0mn (+7% y-y).

For 1HFY26, revenue rose 4% y-y to MYR2.29bn, with the Property segment contributing 45% and Packaging 55%. Operating profit increased 13% y-y to MYR397.0mn, driven by improved packaging margins and steady property performance.

Business segment highlights

Packaging segment:

- **Margin expansion continues:** The Packaging division delivered strong profitability improvement in 2QFY26, with operating profit margin expanding to 8% (vs 7% in 2Q25 and 7% in 1Q26), representing a 1.4pp improvement y-y and 0.7pp improvement q-q. Management expects packaging margins to remain within the 6-7% range going forward, supported by favorable product mix and operational efficiencies.
- **Volume growth offsets currency headwinds:** According to management, sales volumes increased approximately 6-8% in 1HFY26, with improvements seen in both industrial and consumer packaging products. However, revenue growth was mitigated by the appreciation of the Malaysian ringgit against foreign currencies, particularly the US dollar.
- **Geographic mix:** Management highlighted that export sales accounted for 62% of packaging revenue in 1HFY26 (MYR783.4mn), down from 63% in 1HFY25 (MYR797.8mn), with domestic sales contributing 38% (MYR472.0mn, up from MYR458.7mn). Major export markets remain Japan, Korea, Australia, and Southeast Asian countries including Indonesia, Thailand, and the Philippines.
- **Utilization rates:** According to management, current utilization rates for packaging plants stand at approximately 62%, with capacity headroom to support growth to 350,000-400,000 metric tonnes from the current 280,000 metric tonnes without significant additional investment.
- **Operational excellence initiatives:** Management commented on several ongoing initiatives:
 - Commissioning of a second nano 67-layer stretch film cast line at the Pulau Indah plant.
 - SAP S/4 Hana ERP system implementation slated to go live in 4QFY26, which management expects will enable more real-time information on material pricing, supply, and production.
 - Ongoing capacity expansion at multiple plants including Teluk Emas, Klang, and Rawang to increase capability, capacity, and efficiency.

Rating Remains	Buy
Target price Remains	MYR 4.13
Closing price 13 March 2026	MYR 3.47

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- Addition of high-speed printing machines and blown film lines.
- US Phoenix plant utilization remains at approximately 50%.
- **Cost optimization:** Management highlighted that the margin improvement was primarily driven by enhanced operational efficiency, improved wastage control, more electricity-efficient machinery, and better sourcing strategies, resulting in lower cost per unit.
- **Market dynamics and raw material environment:** Management commented extensively on the current volatile market environment:
 - Management noted that raw material prices have spiked significantly in March 2026, with LDPE spot prices in China rising more than 25%, and some suppliers quoting substantial increases or declining to quote at all.
 - Management emphasized that Scientex does not practice hedging mechanisms or speculate on raw material prices.
 - According to management, the company operates on a dynamic pricing mechanism, monitoring market prices closely and pricing products accordingly based on current market conditions.
 - Management highlighted that pricing cycles have been shortened from monthly quotes to potentially daily quotes in the current environment.
 - Management commented that the company sources resins from South Asia, the US, and minimally from the UAE, with long-term supply contracts in place with major suppliers, though pricing remains dynamic based on market conditions.
 - According to management, customers are currently more concerned about supply stability than price increases, with some customers reportedly pushing for orders amid concerns about supply availability.
 - Management noted that freight costs are also experiencing upward pressure, which will be priced into selling prices for CIF terms.
 - Management emphasized that the company's priority is maintaining stable supply to existing customers while being selective about new orders given the volatile environment.
- **Capital commitment:** According to management, capital commitment for packaging as at 31 January 2026 stood at approximately MYR27mn, with minimal significant capex expected for the remainder of FY26.
- **SciPack privatization update:** Management confirmed that the Selective Capital Reduction and Repayment exercise for Scientex Packaging (Ayer Keroh) Berhad (SCIPAK MK, Not rated) was completed three days prior to the briefing (approximately 10 March 2026). Management clarified that the exercise, which cost approximately MYR148mn financed from internal funds, was undertaken to eliminate the need to maintain two listed companies and provide greater operational flexibility. Management noted that at MYR1.50 per share, the valuation was considered reasonable given the operational synergies and flexibility gained from 100% ownership, despite being higher than the current market valuation of Scientex on a P/E basis.

Property segment:

- **Steady revenue growth:** The Property division recorded 1HFY26 revenue of MYR1.04bn (+8% y-y), driven by encouraging sales and steady construction progress across ongoing projects. Operating profit increased 8% y-y to MYR300.3mn, with margins remaining relatively stable at approximately 29% (vs 29% in 1HFY25).
- **Launch activity:** Management disclosed that the company launched 11 projects across seven states in 1HFY26 with a total GDV of MYR890mn comprising 2,576 units. For 2QFY26 specifically, launches totaled MYR245mn in GDV.
- **New sales:** According to management, new sales for 1HFY26 reached approximately MYR1.0bn, compared to MYR900mn in 1HFY25. Management highlighted that take-up rates averaged approximately 50% for 1HFY26, which management noted is in line with historical averages and reflects the timing of launches, with some projects launched in the final one to two months of the period.
- **Unbilled sales:** Management guided that current unbilled sales stand at MYR2.0bn,

providing strong revenue visibility.

- **Major township launches and developments:**

Scientex Jawi (Penang): Management highlighted that the first phase of the 708-acre Scientex Jawi township was launched in October 2025, comprising 267 units of 2-storey terrace houses with a GDV of MYR77.7mn. According to management, this phase achieved near full take-up, demonstrating strong demand for affordable housing in Penang. Management also disclosed a joint development agreement with PERDA (Lembaga Kemajuan Wilayah Pulau Pinang) to develop 346 acres of freehold land in Bertam, Penang.

Scientex Pulau 4 (Johor): Management commented that the first phase of the 350-acre Scientex Pulau 4 township was launched in January 2026, comprising 246 units of 2-storey terrace houses with a GDV of MYR121.4mn. Management noted that the response has been encouraging, with a take-up rate of approximately 60%. Management guided that the total GDV for Scientex Pulau 4 is approximately MYR2.4bn.

Scientex Muar (Johor): Management disclosed that the 1,094-acre Scientex Muar township is targeted for launch in 3QFY26E, with the first two phases comprising approximately 300-400 units. According to management, a soft launch and lot selection have been completed, with all non-bumiputera units fully taken up.

Other new townships: Management guided that launches for the remaining new townships acquired in FY25 are planned for 2HFY26, including Scientex Bestari Jaya (Selangor, 826 acres), Scientex Paya Rumput (Melaka, 528 acres), and Scientex Astana (Kedah, 229 acres).

- **Land bank:** Management confirmed that the company's current land bank stands at 11,034 acres across 38 developments in Peninsular Malaysia, with a potential GDV of MYR53.0bn. Management highlighted that the six land parcels acquired in FY25 totaling 3,735 acres for approximately MYR2.0bn are now being prepared for development.
- **Launch guidance:** Management reiterated the target of MYR3.0bn in GDV launches for FY26E, up from MYR2.5bn in FY25. According to management, this translates into approximately 8,000-9,000 units to be launched over the next 12 months, with construction to be completed over the subsequent 18-24 months.
- **Construction cycle and revenue recognition:** Management explained that the typical construction cycle for landed properties is 14 months, with keys handed over within 24 months of launch. Revenue recognition follows the percentage of completion method based on costs incurred and progress billing.
- **Margin outlook:** Management commented that the company is comfortable with operating margins in the 26-28% range, though 29% margins are achievable. According to management, first phases of new townships may see slightly lower margins due to early bird pricing to attract buyers and build community, though management does not foresee significant margin compression unless material prices increase substantially without corresponding selling price adjustments.
- **Construction material costs:** Management noted that cement prices have increased recently, along with other construction materials such as BRC and steel bars. However, management commented that the increases remain manageable at present. Management highlighted that the company's bulk purchasing power (building several thousand units annually) provides better management of material prices. According to management, if material prices increase further, the company will consider slight increases in selling prices alongside cost management initiatives.
- **Operational capacity:** Management expressed confidence in the company's ability to scale up to the targeted 10,000 units per year without significant operational bottlenecks. According to management, approval processes have been smooth, and the company has been able to secure sufficient subcontractors and labor. Management noted that the company has been gradually increasing from 3,000-4,000 units to 6,000 units and now targeting 9,000 units, with construction teams expanding accordingly.
- **Vision 2028:** Management reiterated the company's Vision 2028 goal of delivering 50,000 affordable homes by 2028. Management disclosed that to date, the company has delivered over 44,000 units, representing nearly 90% progress toward the target.
- **Affordable housing strategy:** Management emphasized the company's focus on affordable housing, noting that the company's standardized product offerings across

seven states enable efficient management and scalability. According to management, the company uses in-house contractors and standard designs with only facade changes, making it easier to manage multiple locations with different subcontractors.

- **Government affordable housing obligations:** Management clarified that the company fulfills government-mandated affordable housing obligations (Rumah Mampu Milik, RSKU) as part of its township developments. According to management, these units have ceiling prices and slightly lower margins compared to normal products, but are integrated into the overall township development mix.

Japan hospitality venture:

Management provided an update on the company's affordable accommodation business in Osaka, Japan, operated through a 50.001%-owned joint venture. According to management, the portfolio has scaled from 5 to 11 hotels located in Osaka Namba-Minami, capturing surging demand for value-accretive, budget-friendly tourism accommodation. Management commented that the hotels are delivering gross profit margins of 40-45% due to low operating costs, though revenue contributions remain negligible compared to the group's overall revenue. Management disclosed that total capex of MYR90mn has been undertaken for the first five hotels, with a further MYR90mn contribution expected for five additional hotels.

Financial highlights and outlook

Cash flow and financial position:

- Management highlighted that the company generated lower net operating cash flow of MYR194mn in 1HFY26 compared to MYR326mn in 1HFY25. According to management, this was primarily due to initial costs incurred for the six land parcels acquired in FY25, including land premium, development charges, and main infrastructure costs, as the company prepares these lands for development and launches in 2HFY26E.
- Management noted that capex for 1HFY26 was minimal at MYR103mn compared to MYR1.1bn in 1HFY25. According to management, with the completion of the SciPack SCR exercise, the company has no significant outstanding capex or committed amounts for the remainder of FY26E.
- Management expects operating cash flow to improve significantly in the next 6-12 months, especially with new launches from the newly acquired land banks.
- As per management, net gearing remained healthy at 0.48x as at 31 January 2026, unchanged from 31 July 2025, despite the substantial land bank acquisitions. Management guided that net gearing is expected to improve further over the next 12 months without any new capex.
- Management emphasized that based on the current position without any new investment, the company has sufficient capacity and land bank to continue its growth trajectory for the next 2-3 years.

FY26 outlook:

Management commented that the company expects to continue growing its business in FY26, with improved performance anticipated from both divisions. According to management, the packaging division has demonstrated better results over the past six months due to operational efficiency improvements and closer collaboration with customers on innovation and meeting requirements. Management noted that the company is well-positioned to manage market volatility given its strong financial standing and minimal capex commitments.

Management emphasized that the current volatile market environment requires constant monitoring and dynamic response, particularly in the packaging segment, where raw material prices and supply dynamics are changing rapidly. However, management expressed confidence that the company's long-term supplier relationships, expanded supplier base, and focus on maintaining stable supply to existing customers will enable it to navigate the challenges.

For the property segment, management expects stronger performance in 2HFY26E, driven by the targeted MYR3.0bn in new launches for FY26E, which should translate to higher revenue recognition in subsequent quarters.

Maintain Buy and TP of MYR4.13

We maintain our TP of MYR4.13 (implying FY26F P/E of 20.9x, assuming a WACC of 10% for the Packaging division and a 30% discount to its RNAV). The stock currently trades at a FY26F P/E of 8.7x (2026F EPS of MYR0.38), lower than its historical average (of 11.0x). Key downside risks include: (1) a frail demand recovery in the Packaging division; (2) slow take-up of property sales; and (3) rising cost pressure. We reiterate our Buy rating.

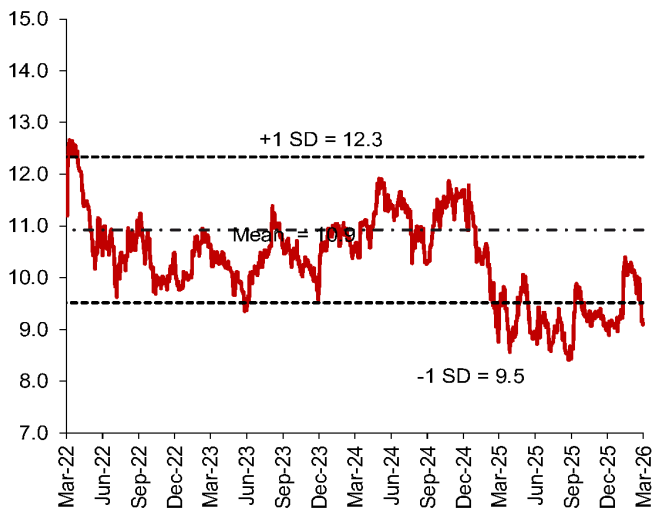
Fig. 1: SCI: 2QFY26 results review

(MYRmn)

	2Q25	1Q26	2Q26	%chg y-y		1H25	1H25	% chg	FY26F	1H26 as %
				q-q	y-y			y-y		of FY26F
P&L statement										
Packaging	631	629	627	0%	-1%	1,256	1,255	0%	2,780	45%
Property	474	527	509	-3%	7%	958	1,036	8%	2,119	49%
Revenue	1,105	1,155	1,136	-2%	3%	2,215	2,291	3%	4,900	47%
Costs	(895)	(919)	(905)	-2%	1%	(1,794)	(1,825)	2%	(3,958)	46%
EBITDA	210	236	231	-2%	10%	420	466	11%	942	50%
Depreciation	(34)	(35)	(35)	0%	1%	(68)	(70)	3%	(124)	57%
EBIT	175	201	196	-3%	12%	352	396	13%	818	48%
Finance income	2	2	2	-9%	5%	3	3	17%	19	17%
Finance costs	(5)	(7)	(7)	3%	45%	(10)	(14)	42%	(49)	28%
Share of results of associates and joint venture	3	4	4	3%	40%	7	8	29%	16	51%
PBT	175	200	195	-3%	11%	352	394	12%	805	49%
Tax	(40)	(48)	(45)	-5%	12%	(82)	(93)	14%	(176)	53%
MI	(9)	(11)	(10)	-14%	4%	(15)	(21)	39%	(32)	65%
Core PATAMI	126	141	140	-1%	11%	255	281	10%	597	47%
EI	(2)	2	(5)	-343%	185%	(3)	(3)	4%	-	nm
Reported PATAMI	124	143	135	-5%	9%	253	278	10%	597	47%
Margins (%)										
Core PATAMI	11.4%	12.2%	12.3%	0.1pp	0.9pp	11.5%	12.3%	0.7pp	12.2%	100.7%
EBIT	15.9%	17.4%	17.2%	-0.2pp	1.4pp	15.9%	17.3%	1.4pp	16.7%	103.6%
EBITDA	19.0%	20.4%	20.3%	-0.1pp	1.3pp	19.0%	20.4%	1.4pp	19.2%	105.9%
Effective tax rate	23.1%	23.9%	23.3%	-0.6pp	0.2pp	23.2%	23.6%	0.4pp	21.9%	107.7%
Reported Segment Operating Profit										
Packaging	42	46	50	9%	20%	73	97	32%	195	49%
Property	133	158	142	-10%	7%	279	300	8%	605	50%
Total	175	204	193	-6%	10%	352	397	13%	801	50%
Packaging margin	6.7%	7.4%	8.0%	0.7pp	1.4pp	5.8%	7.7%	1.9pp	7.0%	109.6%
Property margin	28.1%	30.0%	28.0%	-2.1pp	-0.1pp	29.1%	29.0%	-0.1pp	28.6%	101.5%
Total	15.9%	17.7%	17.0%	-0.7pp	1.1pp	15.9%	17.3%	1.4pp	16.3%	106.0%

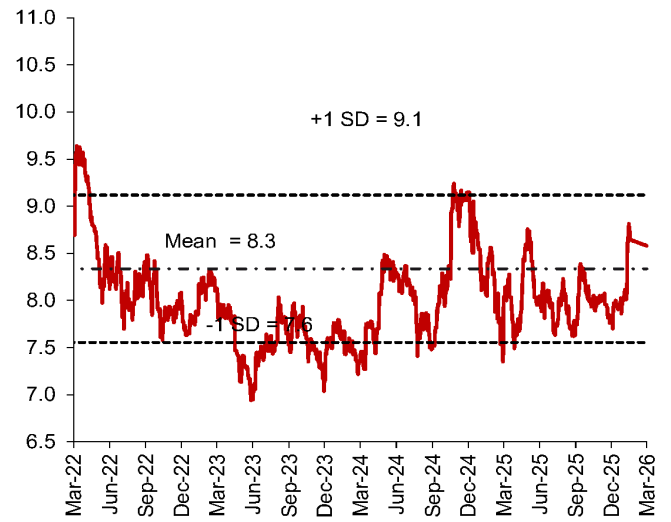
Source: Company data, Nomura estimates

Fig. 2: S&P 500: Forward P/E trend



Source: Bloomberg Finance L.P.

Fig. 3: S&P 500: Forward EV/EBITDA trend



Source: Bloomberg Finance L.P.

Appendix A-1

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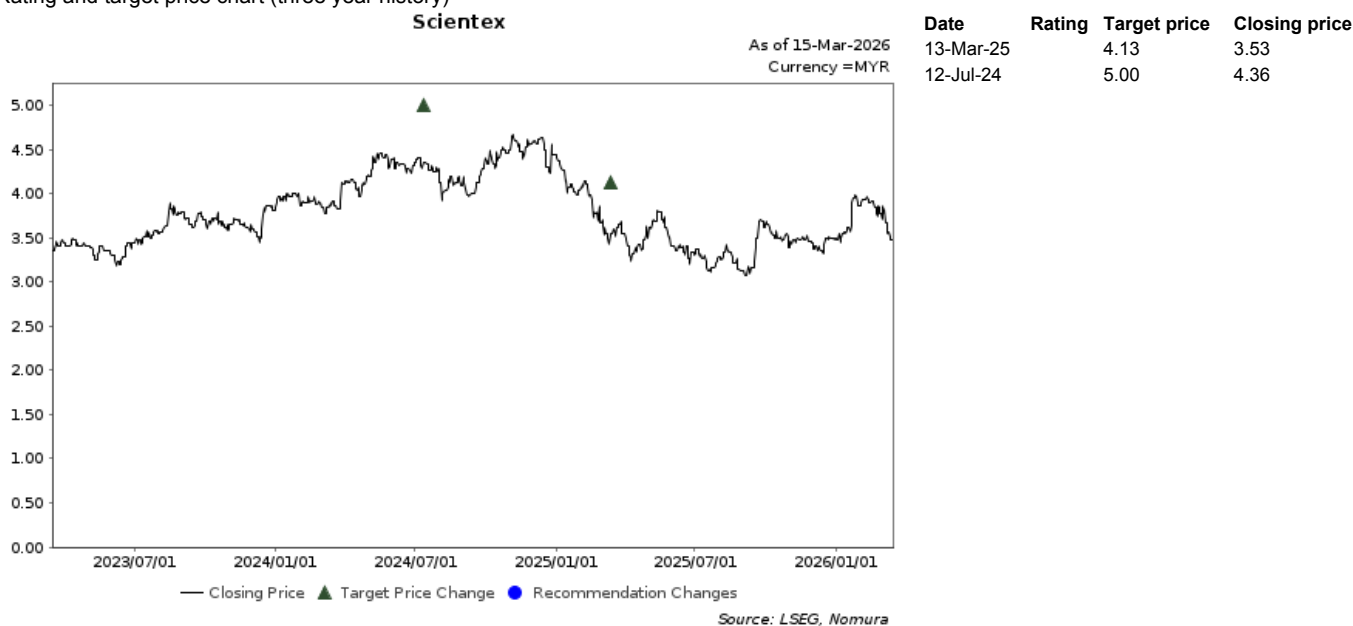
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Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Scientex	SCI MK	MYR 3.47	13-Mar-2026	Buy	N/A	

Scientex (SCI MK)

MYR 3.47 (13-Mar-2026) Buy (Sector rating: N/A)

Rating and target price chart (three year history)



For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology We value Scientex on an SOTP basis. The Packaging division is valued on a DCF basis, discounting free cash flows to the firm by a 7.6% WACC and incorporating a long term growth rate for Malaysia of 1.5%. We value the Property division at a 20% discount to RNAV. This derives a target price of MYR4.13. The benchmark index for this stock is the FBMKLCI index.

Risks that may impede the achievement of the target price Downside risks to our target price: 1) frail recovery in demand for packaging, 2) slow take up in property sales and 3) rising cost pressure.

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As at 31 December 2025.

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