Higher raw material, freight costs pull Scientex 3Q net profit down 20% y-o-y; four sen dividend declared

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KUALA LUMPUR (June 13): Scientex Bhd's net profit for the third financial quarter ended April 30, 2022 (3QFY22) fell 19.6% to RM88.33 million from RM109.88 million a year earlier amid rising raw material prices and freight costs in the consuming packaging products.

Earnings per share declined to 5.7 sen from 7.09 sen previously, the group's filing with Bursa Malaysia on Monday (June 13) showed.

However, quarterly revenue went up slightly to RM993.84 million from RM976.8 million, helped by its packaging segment. Packaging revenue stood at RM749.7 million from RM671.5 million previously contributed from both its industrial and consumer packaging products, driven mainly by its export markets as well as increase in average selling price.

Scientex's operating profit stood at RM123.3 million, down 17% from RM146.8 million a year ago, due to challenges of rising raw material prices and freight costs mainly under the consuming packaging products.

Its property division is facing the challenge of rising costs. Scientex said with the increase in material cost, it is also constantly reviewing the pricing of its products whilst maintaining its product affordability.

The company declared an interim dividend of four sen per share, to be paid on July 22.

For the cumulative nine-month period (9MFY22), the group's net profit dropped 9.4% to RM284.89 million from RM314.58 million a year prior. Nine-month revenue, however, grew 7.02% to RM2.87 billion from RM2.69 billion.

While overall demand for the group's packaging products has remained stable, Scientex said it will closely monitor the operational challenges due to the ongoing geopolitical tension, global supply chain challenges, shortage of labour and rising inflationary pressures which have led to volatility in raw material prices and elevated operational costs.

Commenting on the group's prospects, Scientex said it continues to strengthen and enhance its operational and supply chain efficiencies and expand its capacity in areas of competitive strengths to maintain its competitive edge and manage rising costs.

"As part of its growth strategy, the group's ongoing capacity and capability expansion plans remain on track. Our new robotic stretch film plant is expected to be commissioned in the second half of 2022. In addition, innovating sustainable and value-added products in line with customer needs and market trends remains one of our core focuses as we seek to expand our market presence," it said.

On its property segment, the group said the segment was affected by slower progress due to labour shortages, deferment of Certificate of Completion & Compliance (CCC) in certain projects due to shortage of materials for the installation of power supply infrastructure as well as delay in obtaining permits and approvals for new product launches from the relevant authorities.