

# Scientex Berhad

**TP: RM4.30 (+13.2%)**
*Robust Growth in Property Segment*
*Last Traded: RM3.91*
**Buy (ESG: ★★★)**

Liew Yi Jiet

Tel: +603-2167 9602

yjliew@ta.com.my

www.taonline.com.my

## Review

- Scientex Berhad (SCIENTX) IHFY24 core net profit of RM268.5mn came in within expectations, accounting for 50.0% and 49.0% of ours and consensus' full-year estimates.
- IHFY24 PBT rose 34.2% YoY to RM373.4mn on the back of 9.5% growth in revenue. The stronger performance was mainly driven by the property division, which posted higher EBIT of 51.1% YoY to RM265.3mn. The commendable results were attributed to the consistent billing progress of existing developments and higher take up rate of approximately 60% (new launches) in IHFY24.
- 2QFY24 vs. 2QFY23.** Excluding the disposal of an investment in joint venture - MCTI Scientex Solar Sdn Bhd, which amounted to RM8.96mn, the group's core earnings rose 31.5% YoY to RM132.0mn. The improvement in operating profit was driven by a favourable sales mix in the manufacturing segment as well as higher sales recognised for the property segment in 2QFY24.
- No dividend was declared for the quarter under review.

## Impact

- No change to our earnings estimates.

## Outlook

- Manufacturing.** Despite weaker IHFY24, we expect the volume for consumer and industrial packaging to gradually pick up in 2H due to the reopening of global trade, especially for stretch film products which is widely used for logistic purposes.
- Property.** To recap, Scientex has proposed new land acquisitions with a total land area of 1,960 acres in IHFY24. We believe the group will continue to expand its land bank within a target net gearing not exceeding 0.5x (FY24 net gearing stood at 0.2x). Moving forward, management targets to achieve a GDV value of RM2.1bn in FY24 as compared to RM657.0mn in IHFY24. Hence, we reckon that the top line of the property segment will remain strong while EBIT margin is expected to sustain at around 28% for FY24.

## Valuation

- We revised SCIENTX's TP higher to **RM4.30/share** (from RM4.07/share) based on Sum-of-Parts (SOP) valuation and rolled forward our base year to CY25. Upgraded the stock to **BUY** from Hold.

### Share Information

Bloomberg Code	SCI MK
Stock Code	4731
Listing	Main Market
Share Cap (mn)	1,551.3
Market Cap (RMmn)	6,065.5
52-wk Hi/Lo (RM)	4.05/3.16
12-mth Avg Daily Vol ('000 shrs)	398.5
Estimated Free Float (%)	33.7
Beta	0.8
<b>Major Shareholders (%)</b>	
Scientex Holdings & Related	40.7

### Forecast Revision

	FY24	FY25
Forecast Revision (%)	-	-
Net profit (RMm)	534.7	589.9
Consensus	549.0	585.6
TA's / Consensus (%)	97.4	100.7
Previous Rating		Hold (Upgraded)
Consensus Target Price (RM)		4.05

### Financial Indicators

	FY24	FY25
Net debt/ equity (%)	17.6	14.3
ROE (%)	14.9	14.8
ROA (%)	9.4	9.5
NTA/Share (RM)	2.2	2.5
Price/ NTA (x)	1.7	1.6

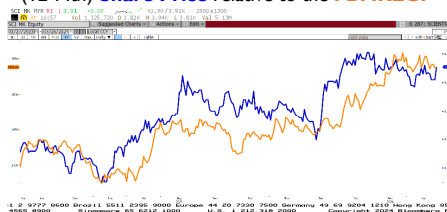
### Scorecard

	% of FY	
vs TA	50	Within
vs Consensus	49	Within

### Share Performance (%)

Price Change	SCIENTX	FBM KLCI
1 mth	0.5	(0.6)
3 mth	1.3	6.0
6 mth	3.2	6.4
12 mth	15.0	9.9

### (12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

**Table 1: 2QFY24 Results Analysis**

FYE July (RM'mn)	2QFY23	1QFY24	2QFY24	QoQ (%)	YoY (%)	1HFY23	1HFY24	YoY (%)
Revenue	978.4	1,106.5	1,092.7	(1.2)	11.7	2,008.3	2,199.2	9.5
~ Manufacturing	655.1	650.4	635.8	(2.2)	(2.9)	1,371.1	1,286.2	(6.2)
~ Property	323.3	456.1	456.9	0.2	41.3	637.2	913.0	43.3
Interest Expense	(9.8)	(6.9)	(5.0)	28.2	49.1	(17.8)	(11.9)	33.2
Investing Results	3.8	3.2	2.3	(27.5)	(38.0)	5.1	5.5	8.4
Depreciation	(30.9)	(33.1)	(32.9)	0.6	(6.4)	(61.4)	(66.0)	(7.6)
EBITDA	173.8	221.6	224.2	1.2	29.0	352.2	445.8	26.6
Operating Profit	147.5	188.5	191.3	1.5	29.7	290.8	379.7	30.6
~ Manufacturing	58.3	50.4	64.0	26.8	9.7	115.2	114.4	(0.7)
~ Property	89.1	138.0	127.3	(7.7)	42.8	175.6	265.3	51.1
EI	5.9	1.3	9.0	>100	53.3	0.4	10.3	>100
Reported PBT	141.5	184.7	188.7	2.1	33.4	278.2	373.4	34.2
Taxation	(29.1)	(42.3)	(43.0)	(1.7)	(47.5)	(52.4)	(85.3)	(62.6)
Minority Interest	(6.0)	(4.6)	(4.7)	(0.8)	22.7	(12.3)	(9.3)	24.4
Reported Profit	106.3	137.8	141.0	2.3	32.7	213.5	278.9	30.6
Adj. Net Profit	100.4	136.5	132.0	(3.3)	31.5	213.1	268.5	26.0
EPS (sen)	6.9	8.9	9.1	2.3	32.6	13.8	18.0	30.6
Adj EPS (sen)	6.5	8.8	8.5	(3.3)	31.4	13.7	17.3	26.0
DPS (sen)	0.0	0.0	0.0	nm	nm	0.0	0.0	nm
				%-pts	%-pts			%-pts
EBIT Margin (%)	15.1	17.0	17.5	0.5	2.4	14.5	17.3	2.8
~ Manufacturing	8.9	7.8	10.1	2.3	1.2	8.4	8.9	0.5
~ Property	27.6	30.3	27.9	(2.4)	0.3	27.6	29.1	1.5
PBT Margin (%)	14.5	16.7	17.3	0.6	2.8	13.9	17.0	3.1
Core Net Margin (%)	10.3	12.3	12.1	(0.3)	1.8	10.6	12.2	1.6
Tax rate (%)	20.6	22.9	22.8	(0.1)	2.2	18.9	22.8	4.0

**Table 2: Earnings Summary**

FYE July (RM'mn)	FY22	FY23	FY24E	FY25F	FY26F
Revenue	3,985.3	4,076.9	4,283.7	4,642.4	4,834.9
Gross Profit	845.2	889.5	1,018.9	1,104.3	1,120.1
EBITDA	675.5	621.1	834.0	909.1	916.5
EBIT	561.0	589.6	704.7	773.1	774.3
Reported PBT	548.3	568.7	697.5	768.7	771.3
Adj. PBT	555.7	594.1	697.5	768.7	771.3
Reported Net Profit	409.9	438.1	534.7	589.9	591.7
Adj. Net profit	417.2	463.6	534.7	589.9	591.7
Basic/Diluted EPS (sen)	26.4	17.5	34.5	38.0	38.1
Adj. EPS (sen)	26.9	16.9	34.5	38.0	38.1
PER (x)	14.8	22.6	11.3	10.3	10.3
Net Dividend (sen)	9.0	10.0	12.0	13.0	13.0
Dividend Yield (%)	2.3	2.6	3.1	3.3	3.3

**Table 3: Sum-of-Parts Valuation**

Segment	Valuation Method	Equity Value (RM mn)
Manufacturing	CY25 EPS PER 15x	3,586.1
Property	CY25 EPS PER 11x	3,867.6
Equity value (RM mn)		7,453.7
+ Proceed from Warrant Conversion (RM mn)		444.1
Total Equity Value (RM mn)		7,897.8
Conglomerate Discount		10%
Total SOP		7,108.02
Share cap (mn)		1,551.3
+ Warrant Conversion (mn)		103.3
Enlarged Share Cap (mn)		1,654.6
<b>Target Price (RM)</b>		<b>4.30</b>

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

### Stock Recommendation Guideline

- BUY** : Total return within the next 12 months exceeds required rate of return by 5%-point.  
**HOLD** : Total return within the next 12 months exceeds required rate of return by between 0-5%-point.  
**SELL** : Total return is lower than the required rate of return.  
**Not Rated:** The company is not under coverage. The report is for information only.

**Total Return** is defined as expected share price appreciation plus gross dividend over the next 12 months. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

**Required Rate of Return** of 7% is defined as the yield for one-year Malaysian government treasury plus assumed equity risk premium.

### ESG Scoring & Guideline

	Environmental	Social	Governance	Average
<b>Scoring</b>	★★★	★★★★★	★★★	★★★
<b>Remark</b>	Visible efforts in tracking and managing alongside promoting recycling awareness. However, score is muted due to often association of plastic packaging towards environmental pollution.	Notable initiatives to spearhead innovation over sustainable packaging materials and developing affordable housing. Besides, community enrichments programmes and employees' trainings are performed regularly.	The board is represented by 50% independent directors yet only has 1 female director. Scientex has targeted dividend payout of 30%.	

- ★★★★★ (≥80%) : Displayed market leading capabilities in integrating ESG factors in all aspects of operations, management and future directions.  
 ★★★★ (60-79%) : Above adequate integration of ESG factors into most aspects of operations, management and future directions.  
 ★★★ (40-59%) : Adequate integration of ESG factors into operations, management and future directions.  
 ★★ (20-39%) : Have some integration of ESG factors in operations and management but are insufficient.  
 ★ (<20%) : Minimal or no integration of ESG factors in operations and management.

### Disclaimer

The information in this report has been obtained from sources believed to be reliable. Its accuracy and/ or completeness is not guaranteed and opinions are subject to change without notice. This report is for information only and not to be construed as a solicitation for contracts. We accept no liability for any direct or indirect loss arising from the use of this document. We, our associates, directors, employees may have an interest in the securities and/or companies mentioned herein.

As of Wednesday, March 27, 2024, the analyst, Liew Yi Jiet, who prepared this report, has interest in the following securities covered in this report:  
 (a) nil

**Kaladher Govindan – Head of Research**

TA SECURITIES HOLDINGS BERHAD 197301001467 (14948-M)  
 A Participating Organisation of Bursa Malaysia Securities Berhad

Menara TA One | 22 Jalan P. Ramlee | 50250 Kuala Lumpur | Malaysia | Tel: 603 – 2072 1277 | Fax: 603 – 2032 5048  
 www.ta.com.my