

"Property division was the key earnings driver"

### Share price performance



	1M	3M	12M
Absolute (%)	-2.5	12.3	26.2
Rel KLCI (%)	-0.6	8.8	10.6

	BUY	HOLD	SELL
Consensus	3	3	2

Source: Bloomberg

### Stock Data

Sector	Plastics Packaging
Issued shares (m)	1,551.3
Mkt cap (RMm)/(US\$m)	6,654.9/1412.3
Avg daily vol - 6mth (m)	0.7
52-wk range (RM)	3.35-4.5
Est free float	33.4%
Stock Beta	0.88
Net cash/(debt) (RMm)	(531.24)
ROE (CY24E)	14.2%
Derivatives	Nil
Shariah Compliant	Yes
FTSE4Good Constituent	Yes
FBM EMAS (Top 200)	Top 26-50%
ESG Risk Rating	19.1 (-0.1 yoy)

### Key Shareholders

Scientex Holdings SB	21.0%
Scientex Leasing SB	10.6%
Scientex Infinity SB	9.1%

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

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## Scientex (SCI MK)

**HOLD (maintain)**

Up/Downside: +1.4%

**Price Target: RM4.35**

Previous Target (Rating): RM3.90 (HOLD)

### Stronger plastic demand to be the rerating catalyst

- **Scientex's 3QFY24 core earnings were in line with our and consensus expectations**
- **9MFY24 earnings up 25% yoy, primarily driven by the growth in its property division**
- **Maintain HOLD with a higher 12-month TP of RM4.35 after rolling our valuation horizon to CY25**

#### 3QFY24 core net profit of RM130m (+14% yoy, -8% qoq)

Scientex's 3QFY24 revenue increased 11% yoy to RM1.1bn, predominantly driven by higher sales from its property arm (+25% yoy), although the recovery in the plastic demand remained slow with only +3% yoy improvement only. The property segment remained strong with consistent construction progress across all ongoing projects and strong market response to recent launches – Sungai Dua, Jenjaram and Jasin. In tandem with the higher revenue, core profit was up 14% yoy to RM130m. On a qoq basis, however, earnings declined by 8% qoq as a result of a weaker operating margin (-1.2 ppt) – this was nevertheless within the operating range for Scientex. A 6 sen interim dividend was declared for this quarter (vs 5 sen in 3QFY23).

#### 9MFY24 core net profit (+25% yoy) - met expectations

Overall, 9MFY24 core net profit grew 25% yoy to RM409m - within our and consensus estimates, making up 73% and 74% of our respective forecasts. This was again primarily driven by the property division, which saw a 37% yoy growth in revenue to RM1.3bn with a solid 75% take-up rate for its launches. The demand for affordable homes still remained strong. On the other hand, the plastic division was down 3.2% in sales in 9M23, mainly due to the lower demand in the 1H23 from its export market. In our view, a stronger demand recovery in this plastic segment will be the re-rating catalyst.

#### Maintain HOLD with a higher 12-month TP of RM4.35

We keep our earnings forecasts unchanged as the results met our expectations. We maintain our **HOLD** rating with a higher SOTP-based TP of **RM4.35** after rolling our valuation horizon to CY25. Upside/downside risks include fluctuation in resin and building material costs, and higher/lower sales across the packaging and property segments.

### Earnings & Valuation Summary

FYE 31 Jul	2022	2023	2024E	2025E	2026E
Revenue (RMm)	3,985.3	4,076.9	4,550.6	4,979.1	5,273.5
EBITDA (RMm)	689.4	745.5	886.8	1,019.7	1,116.5
Pretax profit (RMm)	548.3	568.7	741.5	839.3	907.6
Net profit (RMm)	409.9	438.1	561.7	637.2	690.6
EPS (sen)	26.4	28.3	36.2	41.1	44.6
PER (x)	16.2	15.2	11.8	10.4	9.6
Core net profit (RMm)	418.2	462.4	561.7	637.2	690.6
Core EPS (sen)	27.0	29.8	36.2	41.1	44.6
Core EPS growth (%)	-9.7	10.6	21.5	13.4	8.4
Core PER (x)	15.9	14.4	11.8	10.4	9.6
Net DPS (sen)	9.0	9.0	11.0	13.0	15.0
Dividend Yield (%)	2.1	2.1	2.6	3.0	3.5
EV/EBITDA	11.0	9.8	8.3	7.2	6.4

Chg in EPS (%)	-	-	-
Affin/Consensus (x)	1.0	1.1	1.1

Source: Company, Affin Hwang estimates

Fig 1: Results Comparison

FYE Jul (RMm)	3Q23	2Q24	3Q24	QoQ % chg	YoY % chg	9M23	9M24	YoY % chg	Comments
Revenue	997.1	1,092.7	1,108.0	1.4	11.1	3,005.4	3,307.3	10.0	9MFY24: Growth driven by property revenue, up 37% yoy to RM1.3bn. Plastic division revenue dropped 3.2% to RM1.9bn
Op costs	(811.2)	(867.0)	(892.8)	3.0	10.1	(2,464.3)	(2,643.6)	7.3	
<b>EBITDA</b>	<b>186.0</b>	<b>225.7</b>	<b>215.2</b>	<b>(4.7)</b>	<b>15.7</b>	<b>541.0</b>	<b>663.6</b>	<b>22.7</b>	9MFY24: Improvement driven by revenue mix - higher contribution from higher-margin property division
<i>EBITDA margin (%)</i>	<i>18.7</i>	<i>20.7</i>	<i>19.4</i>	<i>-1.2 ppt</i>	<i>0.8 ppt</i>	<i>18.0</i>	<i>20.1</i>	<i>2.1 ppt</i>	
Dep and amort	(30.9)	(32.9)	(32.8)	(0.2)	6.1	(92.3)	(98.0)	6.2	
EBIT	155.0	192.8	182.4	(5.4)	17.6	448.7	565.6	26.0	
<i>EBIT margin (%)</i>	<i>15.5</i>	<i>17.6</i>	<i>16.5</i>	<i>-1.2 ppt</i>	<i>0.9 ppt</i>	<i>14.9</i>	<i>17.1</i>	<i>2.2 ppt</i>	
Int expense	(8.2)	(5.0)	(5.1)	3.0	(37.6)	(26.0)	(17.0)	(34.6)	
Int and other inc	2.5	1.1	1.2	10.3	(50.1)	4.4	3.3	(24.1)	
Exceptional items	(4.3)	(0.3)	0.1	(119.6)	(101.3)	(4.0)	0.0	(100.7)	
Pretax profit	<b>145.0</b>	<b>188.7</b>	<b>178.5</b>	<b>(5.4)</b>	<b>23.2</b>	<b>423.1</b>	<b>551.9</b>	<b>30.4</b>	
Tax	(30.1)	(43.0)	(40.6)	(5.5)	35.0	(82.5)	(125.9)	52.6	
<i>Tax rate (%)</i>	<i>20.8</i>	<i>22.8</i>	<i>22.8</i>	<i>0 ppt</i>	<i>2 ppt</i>	<i>19.5</i>	<i>22.8</i>	<i>3.3 ppt</i>	
MI	(5.1)	(4.7)	(7.4)	58.7	45.7	(17.3)	(16.6)	(3.9)	
Net profit	<b>109.8</b>	<b>141.0</b>	<b>130.5</b>	<b>(7.5)</b>	<b>18.9</b>	<b>323.2</b>	<b>409.4</b>	<b>26.6</b>	
EPS (sen)	7.1	9.1	8.4	(7.5)	18.8	20.8	26.4	26.6	
<b>Core net profit</b>	<b>114.1</b>	<b>141.3</b>	<b>130.4</b>	<b>(7.7)</b>	<b>14.3</b>	<b>327.2</b>	<b>409.3</b>	<b>25.1</b>	Within our and consensus expectations

Source: Affin Hwang, Company

Fig 2: Segment comparison

FY July (RMm)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	qoq % chg	yoy % chg	9M23	9M24	yoy % chg
Revenue	<b>997.1</b>	<b>1,071.5</b>	<b>1,106.5</b>	<b>1,092.7</b>	<b>1,108.0</b>	<b>1.4</b>	<b>11.1</b>	<b>3,005.4</b>	<b>3,307.3</b>	<b>10.0</b>
Packaging	635.4	619.7	650.4	635.8	656.9	3.3	3.4	2,006.5	1,943.1	(3.2)
Property	361.7	451.8	456.1	456.9	451.1	(1.3)	24.7	998.9	1,364.1	36.6
EBIT	<b>149.8</b>	<b>148.9</b>	<b>188.5</b>	<b>191.3</b>	<b>179.6</b>	<b>(6.1)</b>	<b>19.9</b>	<b>440.7</b>	<b>559.3</b>	<b>26.9</b>
Packaging	44.5	24.3	50.4	64.0	58.4	(8.7)	31.3	159.7	172.8	8.2
Property	105.4	124.7	138.0	127.3	121.2	(4.8)	15.0	281.0	386.5	37.6
<i>EBIT margin (%)</i>	<i>15.0</i>	<i>13.9</i>	<i>17.0</i>	<i>17.5</i>	<i>16.2</i>	<i>-1.3 ppt</i>	<i>1.2 ppt</i>	<i>14.7</i>	<i>16.9</i>	<i>2.2 ppt</i>
<i>Manufacturing (%)</i>	<i>7.0</i>	<i>3.9</i>	<i>7.8</i>	<i>10.1</i>	<i>8.9</i>	<i>-1.2 ppt</i>	<i>1.9 ppt</i>	<i>8.0</i>	<i>8.9</i>	<i>0.9 ppt</i>
<i>Property (%)</i>	<i>29.1</i>	<i>27.6</i>	<i>30.3</i>	<i>27.9</i>	<i>26.9</i>	<i>-1 ppt</i>	<i>-2.3 ppt</i>	<i>28.1</i>	<i>28.3</i>	<i>0.2 ppt</i>

Source: Affin Hwang, Company

Fig 3: Sum of Parts Valuation

Segment	Equity value (RMm)	Comment
<b>Manufacturing</b>	<b>3,220.3</b>	<b>14x PE based on CY25E</b>
<b>Property</b>	<b>4,145.3</b>	<b>30% discount to RNAV</b>
Total equity value (RMm)	7,365.6	
Net cash/(debt)	(615.9)	
Share base (m)	1,551.1	
<b>SOP TP (RM)</b>	<b>4.35</b>	

Source: Affin Hwang forecast

## Important Disclosures and Disclaimer

### Equity Rating Structure and Definitions

<b>BUY</b>	Total return is expected to exceed +10% over a 12-month period
<b>HOLD</b>	Total return is expected to be between -5% and +10% over a 12-month period
<b>SELL</b>	Total return is expected to be below -5% over a 12-month period
<b>NOT RATED</b>	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

*The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.*

<b>OVERWEIGHT</b>	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
<b>NEUTRAL</b>	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
<b>UNDERWEIGHT</b>	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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