

COMPANY RESULTS

Scientex (SCI MK)

4QFY24: Capping Off A Stellar Year

Scientex recorded record-high earnings in FY24, underpinned by a strong showing from its property division. The packaging segment also managed to sustain its performance despite a challenging environment as improving demand for industrial packaging managed to offset the slowing consumer segment. Looking forward, we expect the property division to be the main driver of growth as Scientex continues to increase its landbank. Maintain BUY with a higher target price of RM5.08.

4QFY24 RESULTS

Year to 31 Jul (RMm)	4QFY24	qoq % chg	yoy % chg	FY24	yoy % chg
Turnover	1168.3	5.4	9.0	4,475.6	9.8
Manufacturing	651.3	(0.8)	5.1	2,594.5	(1.2)
Property	517.0	14.6	14.4	1,881.1	29.7
EBIT	177.2	(1.3)	3.2	736.5	20.3
Manufacturing	45.2	(22.6)	(3.8)	218.0	5.5
Property	132.0	8.9	5.9	518.5	27.8
Finance costs	(5.6)	8.9	(25.9)	(22.6)	(32.6)
PBT	177.0	(0.9)	5.2	728.9	23.3
Core net profit	140.3	7.5	2.5	548.6	18.6
Margins	(%)	qoq ppt chg	yoy ppt chg	(%)	yoy ppt chg
EBIT	15.2	(1.0)	(0.9)	16.5	1.4
-Manufacturing	6.9	(1.9)	(0.6)	8.4	0.5
-Property	25.5	(1.3)	(2.1)	27.6	(0.4)
PBT	15.1	(1.0)	(0.6)	16.3	1.8
Core net profit	12.0	0.2	(0.8)	12.3	0.9

Source: Scientex, UOB Kay Hian

RESULTS

- **Within expectations.** Scientex's 4QFY24 core net profit came in at RM140.3m (+7.5% qoq, +2.5% yoy), excluding exceptional items such as forex losses and gains on disposals. The group recorded a FY24 core net profit of RM548.6m, representing 101% of our and 100% of consensus forecasts. Scientex declared an interim dividend of 6 sen during 4QFY24, bringing the full-year dividend to 12 sen (FY23: 10 sen). This represents a payout ratio of 34%, in line with its minimum dividend policy of 30%.

KEY FINANCIALS

Year to 31 Jul (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	4,077	4,479	4,507	5,257	5,591
EBITDA	713	869	948	1031	1095
Operating profit	590	737	786	873	941
Net profit (rep./act.)	438	545	607	675	728
Net profit (adj.)	438	545	607	675	728
EPS (sen)	28.3	35.2	39.1	43.6	46.9
PE (x)	14.6	11.8	10.6	9.5	8.8
P/B (x)	1.9	1.7	1.5	1.4	1.2
EV/EBITDA (x)	10.2	8.4	7.2	7.1	6.8
Dividend yield (%)	2.4	2.9	2.8	3.2	3.4
Net margin (%)	10.7	12.2	13.5	12.8	13.0
Net debt/(cash) to equity (%)	19.8	18.0	3.9	13.6	13.0
Interest cover (x)	21.3	38.4	64.7	78.6	83.3
ROE (%)	13.9	16.3	17.1	17.8	18.0
Consensus net profit	-	-	600	642	708
UOBKH/Consensus (x)	-	-	1.01	1.05	1.03

Source: Scientex, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM4.19
Target Price	RM5.08
Upside	+21.3%
(Previous TP)	RM4.89

COMPANY DESCRIPTION

Scientex is one of the largest industrial packaging companies in the world and a niche property developer in Southern Malaysia.

STOCK DATA

GICS sector	Materials
Bloomberg ticker:	SCI MK
Shares issued (m):	1,551.3
Market cap (RMm):	6,499.8
Market cap (US\$m):	1,563.2
3-mth avg daily t'over (US\$m):	0.5

Price Performance (%)

52-week high/low RM4.40/RM3.35

1mth	3mth	6mth	1yr	YTD
1.7	(1.0)	11.2	14.2	13.0

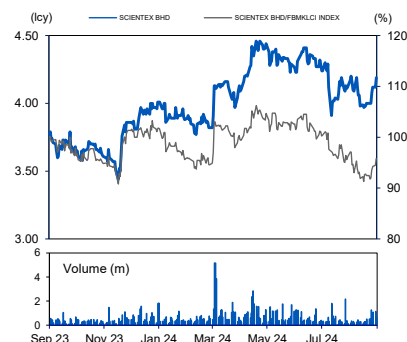
Major Shareholders

	%
Scientex Holdings Sdn Bhd	21.0
Scientex Infinity Sdn Bhd	11.2
Scientex Leasing Sdn Bhd	9.1

FY25 NAV/Share (RM) 2.5

FY25 Net Debt/Share (RM) (0.2)

PRICE CHART



Source: Bloomberg

ANALYST(S)

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• **Manufacturing lifted by industrial packaging.** Scientex's packaging division reported revenue of RM651.3m (-0.8% qoq, +5.1% yoy) and EBIT of RM45.2m (-22.6% qoq, -3.8% yoy) during 4QFY24. Performance was dragged by the declining consumer packaging segment, offset partially by an improvement in industrial packaging demand. Positively, despite a 1.2% decline in revenue during FY24, EBIT grew 5.5% yoy to RM218m as EBIT margin improved 0.5ppt due to an improved product mix, easing resin prices and continued cost control measures. Absolute sales volume also improved by 4% yoy with revenue declining due to a worse product mix. At present, the split between consumer packaging and industrial packaging stands at 50/50, and is skewed slightly to the industrial side.

• **Property continued to deliver.** Property revenue came in at RM517m (+14.6% qoq, +14.4% yoy) with EBIT growing to RM132m (+8.9% qoq, +5.9% yoy). The segment was buoyed by steady construction progress for its ongoing projects and strong demand for its new launches. Scientex launched RM1.8b worth of new projects in FY24, and the property segment is backed by unbilled sales of RM1.9b. Management also mentioned that reception for its new projects remain robust, with overall take-up standing at 80% currently.

STOCK IMPACT.

• **Manufacturing facing a mixed outlook.** Scientex continues to face near-term headwinds in the form of persistently soft sentiment dragging its consumer segment. While improving industrial demand has been able to partially offset this, utilisation rate remains around 60%. Positively, freight and resin costs have largely stabilised and the margin expansion seems largely sustainable in the near-to-medium term. Additionally, despite 67% of packaging revenue stemming from export sales, the effects of the strengthening ringgit should be partially offset by the natural hedge of US dollar-priced raw materials. Other potential bright spots include the upcoming minimum wage review and potential efficiency improvements from the automation of production lines.

• **Property segment remains the key focus.** We expect the property segment to be the major growth driver in FY25-26. Following the completed acquisition of 842 acres of land in FY24, Scientex is targeting an additional 2,978 acres of acquisitions which are pending completion. These new acquisitions total around RM1.3b in value and Scientex is currently exploring funding the land purchase via a sukuk programme. Overall, the unutilised landbank of around 6,300 acres provides a potential GDV of around RM30b, over 15x of its FY24 property sales. Given the strong reception to its new launches thus far, we expect the property division to continue to post strong results in FY25-26.

EARNINGS REVISION/RISK

- We raise our FY25/FY26 forecasts by 4%/8% respectively, imputing stronger property sales that should be partially offset by lower manufacturing revenue and lower margins stemming from a lower utilisation rate
- We also introduce our FY27 forecasts.

VALUATION/RECOMMENDATION

- **Maintain BUY with higher target price of RM5.08 (from RM4.89 previously).** Our target price is based on 13x FY25F PE, in line with its 10-year mean.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

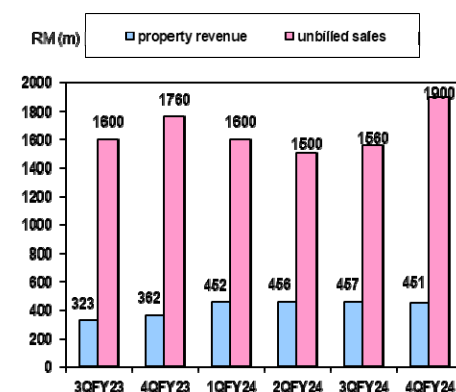
<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> - 1st plastic film manufacturer in Malaysia to receive the ISCC Plus Certification. - 8.2% decrease in group-wide greenhouse gas emissions in FY21. • Social <ul style="list-style-type: none"> - Spent RM5.3m in community investment in response to the COVID-19 pandemic. - Members of local communities comprise 78% of workforce. • Governance <ul style="list-style-type: none"> - Comprehended and applied Malaysian Code on Corporate Governance (MCCG).
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KEY ASSUMPTIONS

	FY25F	FY65F	FY27F
Manufacturing	2606.9	3257.4	3491.1
Property	1900.0	2000.0	2100.0
Total Revenue	4506.9	5157.4	5491.1
Manufacturing	234.6	293.2	331.7
Property	551.0	580.0	609.0
EBIT	785.6	844.2	911.7

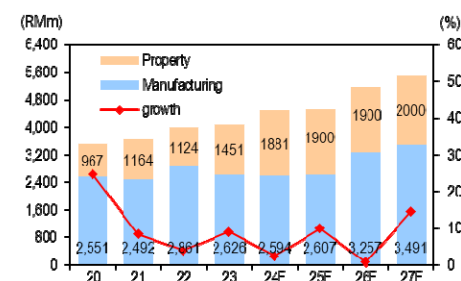
Source: UOB Kay Hian

PROPERTY SEGMENT'S REVENUE AND UNBILLED SALES



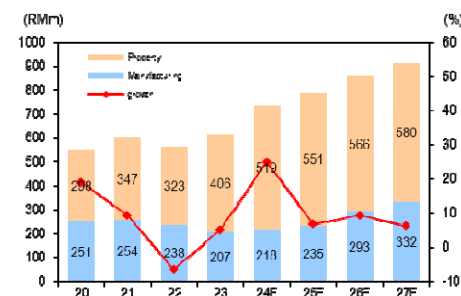
Source: Scientex, UOB Kay Hian

SALES BY SEGMENT



Source: Scientex, UOB Kay Hian

EBIT BY SEGMENT



Source: Scientex, UOB Kay Hian

PROFIT & LOSS

Year to 31 Jul (RMm)	2024	2025F	2026F	2027F
Net turnover	4479	4507	5257	5591
EBITDA	869	948	1031	1095
Deprec. & amort.	132	162	158	155
EBIT	737	786	873	941
Associate contributions	15	15	15	15
Net interest income/(expense)	-23	-15	-13	-13
Pre-tax profit	729	786	875	942
Tax	-160	-157	-175	-188
Minorities	-24	-22	-24	-26
Net profit	545	607	675	728
Net profit (adj.)	545	607	675	728

CASH FLOW

Year to 31 Jul (RMm)	2024	2025F	2026F	2027F
Operating	859	931	833	880
Pre-tax profit	729	786	875	942
Tax	-132	-157	-175	-188
Deprec. & amort.	166	162	158	155
Working capital changes	126	141	-25	-29
Other operating cashflows	-30	0	0	0
Investing	-640	-1400	-900	-500
Capex (growth)	-699	-100	-100	-100
Investments	0	0	0	0
Proceeds from sale of assets	30	0	0	0
Others	30	-1300	-800	-400
Financing	-133	918	-403	-418
Dividend payments	-192	-182	-203	-218
Issue of shares	0	0	0	0
Proceeds from borrowings	93	1300	0	0
Loan repayment	0	-200	-200	-200
Others/interest paid	-34	0	0	0
Net cash inflow (outflow)	86	449	-470	-38
Beginning cash & cash equivalent	166	252	702	232
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	252	702	232	194

BALANCE SHEET

Year to 31 Jul (RMm)	2024	2025F	2026F	2027F
Fixed assets	1,558	1,524	2,537	2,479
Other LT assets	1,881	2,231	3,528	4,328
Cash/ST investment	166	252	702	232
Other current assets	1,900	2,146	1,507	1,761
Total assets	5,505	6,154	8,274	8,800
ST debt	767	863	566	567
Other current liabilities	914	1054	704	729
LT debt	70	70	301	302
Other LT liabilities	148	155	153	154
Shareholders' equity	3392	3776	4201	4673
Minority interest	214	235	257	282
Total liabilities & equity	5,505	6,153	6,181	6,707

KEY METRICS

Year to 31 Jul (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	17.5	19.4	21.0	19.6
Pre-tax margin	13.9	16.3	17.4	16.6
Net margin	10.7	12.2	13.5	12.8
ROA	8.3	9.7	9.1	9.7
ROE	13.9	16.3	17.1	17.8
Growth				
Turnover	11.5	22.5	23.3	43.8
EBITDA	19.0	44.8	58.0	72.0
Pre-tax profit	16.0	48.7	60.3	78.5
Net profit	26.5	57.4	75.1	95.0
Net profit (adj.)	26.5	57.4	75.1	95.0
EPS	26.5	57.4	75.1	95.0
Leverage				
Debt to total capital	23.2	23.3	19.4	17.5
Debt to equity	24.7	24.7	20.6	18.6
Net debt/(cash) to equity	19.8	18.0	3.9	13.6
Interest cover (x)	21.3	38.4	64.7	78.6

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