

1QFY20 RESULTS UPDATE

20 AUG 2019

Perstima Bhd

Price : RM4.78

Market Capitalization : RM474.7 mln

Market : Main Market

Sector : Manufacturing

Bursa / Bloomberg Code: 5436 / PER MK
Stock is Shariah-compliant.

Recommendation : HOLD

FYE Mar (RMm)	1QFY20	4QFY19	qoq %	1QFY19	yoy %	1QFY20	1QFY19	yoy %
Revenue	224.8	230.4	-2.4%	238.8	-5.9%	224.8	238.8	-5.9%
Cost of Sales	(206.1)	(217.8)	-5.4%	(219.9)	-6.3%	(206.1)	(219.9)	-6.3%
Gross Profit	18.7	12.6	48.3%	19.0	-1.6%	18.7	19.0	-1.6%
Other Income/ (Opex)	(3.9)	(3.8)	3.6%	(3.7)	6.3%	(3.9)	(3.7)	6.3%
Operating Profit	14.8	8.8	67.3%	15.3	-3.5%	14.8	15.3	-3.5%
Net interest	0.4	0.5	-28.9%	0.5	-25.8%	0.4	0.5	-25.8%
PBT	15.1	9.3	62.1%	15.8	-4.2%	15.1	15.8	-4.2%
Tax	(3.5)	(2.8)	24.1%	(3.6)	-4.2%	(3.5)	(3.6)	-4.2%
Tax rate	23.1%	30.2%		23.1%		23.1%	23.1%	
Net profit	11.6	6.5	78.6%	12.1	-4.2%	11.6	12.1	-4.2%
EPS (sen)	11.7	6.6	78.5%	12.2	-4.2%	11.7	12.2	-4.2%
DPS (sen)	10.0	-	0.0%	10.0	0.0%	10.0	10.0	0.0%
Gross profit margin	8.3%	5.5%		7.9%		8.3%	7.9%	
Operating profit margin	6.6%	3.8%		6.4%		6.6%	6.4%	
Net profit margin	5.2%	2.8%		5.1%		5.2%	5.1%	

1QFY20 Results Review

- The Group's 1QFY20 net profit is 22.1% below our expectation due to the weaker-than-anticipated revenue in the latest quarter. We revised downwards our estimates on Perstima's earnings by 29.6%, in view of the keener-than-expected competition faced in the new regime post-expiration of anti-dumping duties and higher presence of imports, which had adversely affected sales volume since 4QFY19.
- Y-o-y, revenue fell 5.9% for the current quarter, but was partly moderated by the wider gross and net profit margins. In turn, Perstima recorded a lower net profit of RM11.6 million (-4.2%). On a q-o-q basis, the Group's top line declined 2.4%, but net profit surged 78.6% amid a much stronger profit margin. Looking ahead, we expect the Group's gross profit margin to revert to the 5-year historical median level of approximately 8-9%.
- A final single-tier dividend of 20.0 sen/share has been approved by the shareholders, summing up the full-year FY19 dividend to 30.0 sen/share. This fell short of our expectation of 40.0 sen/share, but is still decent when translated to a dividend yield of over 6% per annum.
- Management guided that the Group's operating environment will continue to be challenging and competitive. Growth and profitability of the Group will be affected by the uncertainty and volatility of the MYR against USD, coupled with higher presence of imports.
- We revise downwards our forecast for FY20 and introduce FY21 estimates.

Recommendation

We maintain HOLD with a lower target price of RM4.80 (down 11.1% from RM 5.40) based on a P/E multiple of 10.0x, applied on the average EPS forecasted for FY20 and FY21. The reduced target price is attributable to the downward revision in projected net profits for the next two financial years. Nonetheless, its attractive dividend yield, estimated at over 7%, and strong net cash balance sheet should provide cushion for the share price.

Key Financials (FYE Mar)	FY18	FY19	FY20E	FY21E
Revenue (RMm)	938.9	978.8	944.1	1002.7
EBITDA (RMm)	44.5	60.5	69.7	84.4
EBITDA margin	4.7%	6.2%	7.4%	8.4%
Core net profit (RMm)	21.5	41.0	42.0	53.3
FD EPS (sen)	21.7	41.3	42.3	53.7
FD EPS growth	-60.9%	90.5%	2.3%	26.9%
DPS (sen)	20.0	30.0	34.9	34.9
Payout ratio	92%	73%	83%	65%

Per Share Data (FYE Mar)	FY18	FY19	FY20E	FY21E
Book value (RM)	3.8	4.0	4.2	4.5
FCFE (RM)	0.6	0.0	0.6	0.6
Earnings (sen)	21.7	41.3	42.3	53.7
Net dividend (sen)	20.0	30.0	34.9	34.9
Payout ratio	92%	73%	83%	65%
P/E (x)	16.3	11.9	11.3	8.9
P/FCFE (x)	5.8	(112.9)	8.0	7.9
P/Book value (x)	0.9	1.2	1.1	1.1
Net dividend yield	5.7%	6.1%	7.3%	7.3%
ROE	5.7%	10.4%	10.1%	11.8%
Net gearing (x)		net cash	net cash	net cash

Perstima's last 12-month share price chart



Source: Bursa Marketplace

Analyst:
Kelvin Goh
kelvingoh@zjresearch.com
03-2032 2328

RATING GUIDE

BUY	Price appreciation expected to exceed 15% within the next 12 months
SELL	Price depreciation expected to exceed 15% within the next 12 months
HOLD	Price movement expected to be between -15% and +15% over the next 12 months from current level

DISCLAIMER

This report has been prepared by ZJ Advisory Sdn Bhd pursuant to the Mid and Small Cap Research Scheme ("MidS") administered by Bursa Malaysia Berhad. This report has been produced independent of any influence from Bursa Malaysia Berhad or the subject company. Bursa Malaysia Berhad and its group of companies disclaims any and all liability, howsoever arising, out of or in relation to the administration of MidS and/or this report.

This report is for information purposes only and has been prepared by ZJ Advisory based on sources believed to be reliable at the time of issue of this report. We however do not give any guarantee as to the accuracy or completeness of the information provided. Any opinions or estimates in this report are that of ZJ Advisory as of this date and are subject to change without notice. ZJ Advisory has no obligation to update its opinion or the information in this report beyond the scope of participation under MidS.

This report is under no circumstances to be construed as an offer to sell or a solicitation of an offer to buy any securities. Investors should seek financial regarding the appropriateness of investing in any securities discussed or opined in this report. Investors should understand that statements regarding future prospects may not materialize. This report may contain forward looking statement and forecasts, which are based on assumptions that are subject to uncertainties. Any deviation from the expectations may have adverse effect on the projections and prospects contained herein. ZJ Advisory accepts no liability for any direct, indirect or consequential loss arising from the use of this report.

ZJ Advisory and/or its directors and staff may have an interest in the securities mentioned herein. Furthermore, ZJ Advisory and its related companies may, from time to time, provide or seek to provide advisory and/or other services for the company(ies) mentioned in this report, and may be involved in share placement exercise involving securities mentioned herein. In reviewing this research report, investors should be aware that any or all of the foregoing, may among other things, give rise to real or potential conflicts of interest.

This research report is available at MidS' website. For more information on MidS and for other research reports, please visit www.bursamids.com.

ZJ Advisory Sdn Bhd (Co No: 645449-V)
(An investment adviser licensed by the Securities Commission)
Suite 27, 27th Floor, Sunway Tower,
No 86, Jalan Ampang, 50450 Kuala Lumpur
Tel (603) 2032 2328 Facsimile (603) 2032 1328
