

3QFY19 RESULTS UPDATE

<25 JAN 2019>

Perstima Bhd

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

Price : RM4.96

Market Capitalization : RM492.6 mln

Market : Main Market

Sector : Manufacturing

Recommendation : HOLD

FYE Sep (RMm)	3QFY19	2QFY19	qoq %	3QFY18	yoy %	9MFY19	9MFY18	yoy %
Revenue	237.5	271.5	-12.5%	233.9	1.5%	747.8	705.7	6.0%
Cost of Sales	(222.2)	(253.9)		(225.5)		(695.9)	(681.7)	
Gross Profit	15.3	17.7	-13.5%	8.4	82.1%	51.9	24.0	115.9%
Other Income/ (Opex)	(2.6)	(2.4)	11.5%	(4.3)	-38.2%	(8.7)	(12.6)	-31.1%
Operating Profit	12.6	15.3	-17.3%	4.1	206.8%	43.2	11.5	277.2%
Net interest	0.2	0.4	-33.1%	0.5	-50.8%	1.1	1.1	-0.9%
PBT	12.9	15.6	-17.7%	4.6	179.5%	44.3	12.5	253.1%
Tax	(2.7)	(3.4)	-19.2%	(1.2)	127.5%	(9.8)	(2.8)	249.9%
Tax rate	21.3%	21.8%		26.2%		22.1%	22.3%	
Net profit	10.1	12.2	-17.3%	3.4	198.1%	34.5	9.7	254.0%
EPS (sen)	10.2	12.3	-17.3%	3.4	198.2%	34.8	9.8	253.9%
DPS (sen)	-	-	0.0%	-	0.0%	-	-	0.0%
Gross profit margin	6.4%	6.5%		3.6%		6.9%	3.4%	
Operating profit margin	5.3%	5.6%		1.8%		5.8%	1.6%	
Net profit margin	4.3%	4.5%		1.5%		4.6%	1.4%	

3QFY19 Results Review

- We maintain our full year estimate as we expect higher earnings from 4QFY19 as 4th quarter volume is typically higher because of festive demand. 3QFY19 earnings was higher by 198.1% yoy due to higher selling prices despite lower sales volume. On a qoq basis, revenue was lower by 12.5% while net profit was lower by 17.3% as a result of lower sales volume. Y-o-Y, gross profit margin increased substantially from 3.4% to 6.9% mainly due to better selling price and we expect the better margins to sustain unless competition from other overseas players intensify from the expiration of anti-dumping duties.
- As expected, no dividend was declared during this quarter as historically dividend will only be declared in the last financial quarter. The group remains in a net cash position, at 55.5 sen/share.
- 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 uncertainty and volatility of Ringgit Malaysia against USD coupled with higher presence of imports from oversea.
- We maintain our forecast for FY19 and introduced FY20 estimates.

Recommendation

We maintain HOLD with an unchanged target price of RM5.40 based on 10.0x calendarised 2019 EPS. Its fairly attractive dividend yield, estimated at over 8%, and strong net cash balance sheet should provide a cushion for share price. However, the company still lacks re-rating catalysts due to intense competition.

Key Financials (FYE Mar)	FY17	FY18	FY19E	FY20E
Revenue (RMm)	840.7	938.9	1030.1	1130.2
EBITDA (RMm)	81.7	44.5	83.8	91.8
EBITDA margin	9.7%	4.7%	8.1%	8.1%
Core net profit (RMm)	55.1	21.2	53.5	59.7
FD EPS (sen)	55.5	21.3	53.9	60.1
FD EPS growth	8.2%	-61.6%	152.3%	11.6%
DPS (sen)	40	30	40	40
Payout ratio	72.0%	140.5%	74.3%	66.6%

Per Share Data (FYE Mar)	FY17	FY18	FY19E	FY20E
Book value (RM)	4.0	3.8	4.1	4.6
FCFE (RM)	(0.2)	0.6	0.6	0.4
Earnings (sen)	55.5	21.3	53.9	0.6
Net dividend (sen)	40.0	30.0	40.0	40.0
Payout ratio	72%	94%	74%	67%
P/E (x)	13.6	16.5	9.5	8.5
P/FCFE (x)	(45.0)	5.6	8.0	11.6
P/Book value (x)	1.9	0.9	1.2	1.1
Net dividend yield	5.3%	8.5%	7.8%	7.8%
ROE	13.9%	5.6%	13.2%	13.1%
Net gearing (x)		net cash	net cash	net cash

Perstima's last 12-month share price chart



Source: Bursa Marketplace

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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

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