

2QFY20 RESULTS UPDATE

30 OCT 2019

## Perstima Bhd

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

Price : RM4.53

Market Capitalization : RM449.9 mln

Market : Main Market

Sector : Manufacturing

Recommendation : HOLD

FYE Mar (RMm)	2QFY20	1QFY19	qoq %	2QFY19	yoy %	6MFY20	6MFY19	yoy %
Revenue	240.0	224.8	6.8%	271.5	-11.6%	464.7	510.4	-8.9%
Cost of Sales	(225.3)	(206.1)	9.3%	(253.9)	-11.3%	(431.4)	(473.7)	-8.9%
Gross Profit	14.6	18.7	-21.5%	17.7	-17.0%	33.3	36.6	-9.0%
Other Income/ (Opex)	(3.8)	(3.9)	-1.4%	(2.4)	61.9%	(7.7)	(6.0)	28.1%
Operating Profit	10.8	14.8	-26.7%	15.3	-29.2%	25.6	30.6	-16.4%
Net interest	(0.1)	0.4	-131.9%	0.4	-131.8%	0.2	0.8	-71.1%
PBT	10.7	15.1	-29.2%	15.6	-31.6%	25.8	31.4	-17.8%
Tax	(2.4)	(3.5)	-32.4%	(3.4)	-30.6%	(5.9)	(7.0)	-17.0%
Tax rate	22.1%	23.1%		21.8%		22.7%	22.4%	
Net profit	8.3	11.6	-28.3%	12.2	-31.9%	20.0	24.4	-18.1%
EPS (sen)	8.4	11.7	-28.3%	12.3	-31.9%	20.1	24.6	-18.1%
DPS (sen)	-	-	0.0%	-	0.0%	-	-	0.0%
Gross profit margin	6.1%	8.3%		6.5%		7.2%	7.2%	
Operating profit margin	4.5%	6.6%		5.6%		5.5%	6.0%	
Net profit margin	3.5%	5.2%		4.5%		4.3%	4.8%	

### 2QFY20 Results Review

- The Group's 6MFY20 net profit is in line with estimate, at 47.6% of our full year forecast. In our previous report dated 20 Aug 2019, Perstima's earnings was revised downwards 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 11.6% for the current quarter, due to lower sales volume but was partly moderated by higher selling price. In turn, Perstima recorded a lower net profit of RM8.3 million (-31.9%). On a q-o-q basis, the Group's top line increased by 6.8%, but net profit declined by 28.3% amid a weaker profit margin.
- No dividend was declared in this quarter as historically dividend will only be declared in the financial year end. The group remains in a net cash position, at 31.3 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 the uncertainty and volatility of the MYR against USD, coupled with higher presence of imports.
- We maintain our forecast for FY20 and FY21 estimates.

### Recommendation

We maintain HOLD with a target price of RM4.80 based on a P/E multiple of 10.0x, applied on the average EPS forecasted for FY20 and FY21. 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

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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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