

COMPANY UPDATE

05 MARCH 2020

Perstima Bhd

Price : RM4.02

Market Capitalization : RM399.2 million

Market : Main Market

Sector : Manufacturing

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

Recommendation : SELL

FYE Mar (RMm)	3QFY20	2QFY20	qoq %	3QFY19	yoy %	9MFY20	9MFY19	yoy %
Revenue	203.6	240.0	-15.2%	237.5	-14.3%	668.3	747.8	-10.6%
Cost of Sales	(190.9)	(225.3)	-15.3%	(222.2)	-14.1%	(622.3)	(695.9)	-10.6%
Gross Profit	12.7	14.6	-13.4%	15.3	-17.0%	46.0	51.9	-11.4%
Other Income/ (Opex) ▲	(4.5) ▲	(3.8)	18.6% ▲	(2.6)	72.2%	(12.3) ▲	(8.7)	41.6%
Operating Profit	8.1	10.8	-24.8%	12.6	-35.6%	33.7	43.2	-22.0%
Net interest ▲	0.2 ▲	(0.1)	-238.6% ▲	0.2	-34.2%	0.4 ▲	1.1	-62.9%
PBT	8.3	10.7	-22.5%	12.9	-35.6%	34.1	44.3	-23.0%
Tax	(2.0)	(2.4)	-16.6%	(2.7)	-28.3%	(7.8)	(9.8)	-20.1%
Tax rate	23.7%	22.1%		21.3%		22.9%	22.1%	
Net profit	6.3	8.3	-24.2%	10.1	-37.5%	26.3	34.5	-23.8%
EPS (sen)	6.4	8.4	-24.2%	10.2	-37.5%	26.5	34.8	-23.8%
Gross profit margin	6.2%	6.1%		6.4%		6.9%	6.9%	
Operating profit margin	4.0%	4.5%		5.3%		5.0%	5.8%	
Net profit margin	3.1%	3.5%		4.3%		3.9%	4.6%	

Proposed Fund Raising Exercise

- Perstima announced a corporate exercise to issue up 19,860,944 rights shares to existing shareholders of the company on the basis of 1 right for every 5 shares at an issue price to be determined later. In addition, the subscriber of the rights will be entitled to 1 bonus issue for every two rights subscribed.
- The main purpose of the corporate exercise is to part finance 1 unit of electrolytic tinning and tin free steel production line for its manufacturing plant in Philippines (approximately RM54.8 million), with the remaining to fund purchase of the raw materials and expenses of the proposals.
- On 21 Nov 2018, Perstima had incorporated a new wholly-owned subsidiary, Perstima (Philippines) Inc., for expansion of its manufacturing and supply of tinsplate and tin free steel business to Philippines. Total investment cost of the New Plant measuring 309,042 square feet is approximately USD65.9 million (approximately RM278.76 million) with manufacturing capacity of approximately 200,000 metric tonnes (MT) per annum. This will be partially funded by internally generated fund and bank borrowing. The plant is expected to be installed and fully commissioned by June 2021.

Recommendation

We make no changes to our earnings estimate and maintain SELL call with target price of RM3.04. Given the infancy stage of its manufacturing plant in Philippines, meaningful profit contribution in the immediate term is yet to be ascertained. We are of the opinion that the company might be saddled with high start-up cost arising from depreciation cost, financing cost and other costs before the utilization reach optimum level and contribute positively to the group. All in, we think any additional investments by Perstima will yield a low return given the challenging operating environment. FY20 and FY21 ROEs are a paltry 6.3% and 6.6%, based on our estimates.

Key Financials (FYE Mar)	FY18	FY19	FY20E	FY21E
Revenue (RMm)	938.9	978.8	856.9	903.3
EBITDA (RMm)	44.5	60.5	53.1	57.4
EBITDA margin	4.7%	6.2%	6.2%	6.4%
Core net profit (RMm)	21.5	41.0	28.5	31.8
FD EPS (sen)	21.7	41.3	28.7	32.0
FD EPS growth	-60.9%	90.5%	-30.5%	11.5%
DPS (sen)	20.0	30.0	22.9	25.5
Payout ratio	92%	73%	80%	80%

Per Share Data (FYE Mar)	FY18	FY19	FY20E	FY21E
Book value (RM)	3.8	4.0	4.6	4.8
FCFE (RM)	0.6	0.0	0.7	0.4
Earnings (sen)	21.7	41.3	28.7	32.0
Net dividend (sen)	20.0	30.0	22.9	25.5
Payout ratio	92%	73%	80%	80%
P/E (x)	16.3	11.9	14.2	12.7
P/FCFE (x)	5.8	(112.9)	5.9	11.6
P/Book value (x)	0.9	1.2	0.9	0.8
Net dividend yield	5.7%	6.1%	5.6%	6.2%
ROE	5.7%	10.4%	6.3%	6.6%
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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