

4QFY20 RESULTS UPDATE

24 JUNE 2020

Perstima Bhd

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

Price : RM4.25

Market Capitalization : RM422.1 mln

Market : Main Market

Sector : Manufacturing

Recommendation : SELL

FYE Mar (RMm)	4QFY20	3QFY20	qoq %	4QFY19	yoy %	FYE20	FYE19	yoy %
Revenue	191.1	203.6	-6.2%	230.4	-17.1%	859.4	978.2	-12.1%
Cost of Sales	(182.7)	(190.9)	-4.3%	(217.8)	-16.1%	(805.0)	(913.7)	-11.9%
Gross Profit	8.4	12.7	-34.0%	12.6	-33.5%	54.4	64.5	-15.7%
Other Income/ (Opex)	(1.9)	(4.5)	-58.4%	(3.8)	-49.6%	(14.2)	(12.4)	14.0%
Operating Profit	6.5	8.1	-20.4%	8.8	-26.6%	40.2	52.1	-22.8%
Net interest	0.5	0.2	244.3%	0.5	4.2%	0.9	1.6	-40.3%
PBT	7.0	8.3	-15.3%	9.3	-24.9%	41.1	53.6	-23.3%
Tax	(2.4)	(2.0)	22.8%	(2.8)	-14.0%	(10.2)	(12.6)	-18.8%
Tax rate	34.4%	23.7%		30.1%		24.9%	23.5%	
Net profit	4.6	6.3	-27.2%	6.5	-29.5%	30.9	41.0	-24.7%
EPS (sen)	4.6	6.4	-27.2%	6.6	-29.3%	31.1	41.3	-24.7%
Gross profit margin	4.4%	6.2%		5.5%		6.3%	6.6%	
Operating profit margin	3.4%	4.0%		3.8%		4.7%	5.3%	
Net profit margin	2.4%	3.1%		2.8%		3.6%	4.2%	

4QFY20 Results Review

- Perstima recorded net profit of RM30.9 million for the FYE20, which was above our expectation and accounted for 108.4% of our full-year forecast. The slight outperformance was due to the stronger top line. Nonetheless, the Group's bottom line declined by 24.7% from the previous year, impacted by lackluster sales volume and low selling price.
- Y-o-y, Perstima's revenue fell 17.1% for the current quarter due to lower sales volume and selling price. As a result, the Group recorded a substantial decline in net profit by 29.5% while operating and net profit margins also narrowed. On a q-o-q basis, the Group's top and bottom lines decreased by 6.2% and 27.2%, respectively, while profit margins continued its downtrend. The tightening in profit margins was mainly caused by a downward pressure in selling prices.
- The Group has been experiencing intense competition post-expiration of anti-dumping duties and higher presence of imports, which had adversely affected sales volume since 4QFY19.
- Perstima's earnings were dragged by its operations in Malaysia while contributions from Vietnam improved marginally. Separately, its new subsidiary in the Philippines was still at a preliminary stage; it has yet to generate revenue and incurred some startup cost for the current quarter.
- As expected, the Group declared a final single-tier dividend of 10 sen per share. The Group remains in a healthy net cash position, at 92.5 sen/share.
- Management guided that the Group's operating environment will continue to be challenged by the higher presence of imports and the volatility of exchange rate. Also, the COVID-19 pandemic has added another layer of uncertainty to its business performance. In view of the challenges highlighted above, we reduced our earnings forecast for FY21 by 30.2% and introduced FY22 estimates. We expect earnings to gradually pick up in FY22 as the impact from anti-dumping duties normalise.
- Notably, Perstima offers an attractive dividend yield, estimated at an average of 4.8% over the next 2 years, while its balance sheet remains robust with a net cash position.

Recommendation

We maintain our SELL call, with a slightly lower target price of RM3.00 (from RM3.04 previously). Derating catalysts include weaker financial results arising from the demand shock caused by intense competition post-expiration of anti-dumping duties. The fair value reflects a P/E multiple of 12.0x, applied on the average EPS forecasted for FY21 and FY22. The reduced fair value is attributable to the

downward revision in projected net profits, arising from a decrease in revenue and profit margins for the next two financial years.

Key Financials (FYE Mar)	FY19	FY20	FY21E	FY22E
Revenue (RMm)	978.8	859.4	780.6	803.7
EBITDA (RMm)	60.5	49.6	43.9	50.8
EBITDA margin	6.2%	5.8%	5.6%	6.3%
Core net profit (RMm)	41.0	30.9	22.2	27.4
FD EPS (sen)	41.3	31.1	22.4	27.6
FD EPS growth	90.5%	-24.7%	-28.1%	23.6%
DPS (sen)	30.0	30.0	18.2	22.5
Payout ratio	73%	96%	81%	81%

Per Share Data (FYE Mar)	FY19	FY20	FY21E	FY22E
Book value (RM)	4.0	4.1	4.4	4.7
FCFE (RM)	0.0	0.4	1.0	0.3
Earnings (sen)	41.3	31.1	22.4	27.6
Net dividend (sen)	30.0	30.0	18.2	22.5
Payout ratio	73%	96%	81%	81%
P/E (x)	11.9	15.8	19.0	15.4
P/FCFE (x)	(112.9)	12.3	4.4	12.8
P/Book value (x)	1.2	1.2	1.0	0.9
Net dividend yield	6.1%	6.1%	4.3%	5.3%
ROE	10.4%	7.7%	5.1%	5.9%
Net gearing (x)	net cash	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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