

2QFY21 RESULTS UPDATE

16 OCTOBER 2020

## Perstima Bhd

Price : RM3.22

Market Capitalization : RM325.7 mIn

Market : Main Market

Sector : Manufacturing

Recommendation : SELL

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

### 2QFY21 Results Review

FYE Mar (Rmm)	2QFY21	1QFY21	qoq %	2QFY20	yoy %	1HFY21	1HFY20	yoy %
Revenue	222.5	200.6	10.9%	240.0	-7.3%	423.1	464.7	-8.9%
Cost of Sales	-198.9	-182.1	9.2%	-225.3	-11.7%	(381.0)	(431.4)	-11.7%
Gross Profit	23.6	18.5	27.3%	14.6	61.1%	42.1	33.3	26.5%
Other Income/ (Opex)	-4.3	-5.2	-17.3%	-3.8	12.6%	(9.5)	(7.7)	23.5%
Operating Profit	19.3	13.3	44.8%	10.8	78.2%	32.6	25.6	27.4%
Net interest	0.3	0.2	33.2%	-0.1	-350.0%	0.5	0.2	105.3%
PBT	19.6	13.5	44.6%	10.7	82.8%	33.1	25.8	28.1%
Tax	-4.3	-3.1	40.7%	-2.4	84.0%	(7.4)	(5.9)	27.0%
Tax rate	0.2	0.2		0.2		22.5%	22.7%	
Net profit	15.2	10.4	45.7%	8.3	82.4%	25.7	20.0	28.5%
EPS (sen)	15.3	10.5	45.6%	8.4	82.4%	25.8	20.1	28.5%
Gross profit margin	10.6%	9.2%		6.1%		10.0%	7.2%	
Operating profit margin	8.7%	6.6%		4.5%		7.7%	5.5%	
Net profit margin	6.8%	5.2%		3.5%		6.1%	4.3%	

- Perstima's net profit of RM25.7 million in 1HFY21 came in above our expectation, forming 87.1% of our full-year forecast for FY21. We deem it within expectations as a lockdown may impact its operations in 2HFY21.
- For 2Q21, the Group's revenue fell by 7.3% yoy from RM239.96mn to RM222.49mn mainly due to lower sales volume and lower average selling price (ASP).
- Malaysia operations contribute the most to the Group's total revenue, which is around 67.6% of the Group's total revenue in 2Q21. The revenue from Malaysia's operations fell by RM14.1mn compared to same period last year due to lower sales volume and ASP. However, profit before taxation (PBT) from the Malaysia's operations amounting to RM24.79mn for the current quarter was higher compared to RM14.8mn in the same quarter last year. Higher PBT this quarter is due to higher dividend income from their subsidiary, amounting to RM12.4mn.
- The Group's subsidiary in Vietnam, Perstima (Vietnam) Co. Ltd., contributes around 33% to the Group's total revenue. Similar to Malaysia's operations, revenue from Vietnam also fell by 4.6% yoy from RM79.1mn in 2Q20 to RM75.4mn in 2Q21. Vietnam subsidiary reported higher PBT of RM7.5mn this quarter compared to RM4.5mn same quarter last year due to higher profit margins. Perstima (Vietnam) is also involved in the manufacturing and sale of tin plates and tin free steel.
- The Group's subsidiary in the Philippines, Perstima (Philippines), has not contributed any revenue to the Group this quarter since the subsidiary is still at the preliminary stage. To recap, Perstima (Philippines) was established on 22<sup>nd</sup> November 2018 and this subsidiary is still incurring losses of RM359,000, mainly attributed to rental costs and administration fee.
- The Group's PBT improved by 82.8% from RM10.7mn in 2Q20 to RM19.56mn in 2Q21. PBT margins improved from 4.5% in 2Q20 to 8.8% in 2Q21. The improvement in PBT is due to lower cost of sales, lower other expenses, lower finance costs as well as higher interest income.

Perstima Bhd

- Overall, the Group's net profit increased significantly from RM8.3mn in 2Q20 to RM15.2mn in 2Q21, a strong improvement of 82% yoy, although from a very small base.
- For 1H20, the Group's revenue fell by 8.9% yoy, while net profit improved by 28.5% yoy due to lower cost of sales.
- Moving forward, management has guided that the Group's earnings growth and profitability will likely be affected by volatility of foreign exchange and also weaker economic growth due to Covid-19 pandemic. Covid-19 pandemic has impacted the markets in which Perstima manufactures and sells its products.
- Management is committed to continue improve their production efficiencies and explore new markets to ensure the profitability of the Group for the current financial year. Perstima also has plans to increase their sales and marketing efforts in order to venture into new markets.
- We think the Group has strength during this Covid-19 pandemic as they have manufacturing facilities in various countries including Malaysia, Vietnam and the Philippines. Having various manufacturing facilities and supplying to diverse markets help to cushion the Group's negative impact from lockdown or movement control measures during this Covid-19 pandemic.
- The company did not declare any dividend for the period ended 30 September 2020.

## Recommendation

We maintain our SELL call on Perstima with lower target price of RM2.64. Our target price is pegged to a lower PE of 9.5x on the average EPS forecasted for FY2021E and FY2022E amidst a worsening Covid-19 situation in Malaysia as well as other countries. We expect Perstima to experience falling revenue and lower margins over the next few quarters. Perstima's earnings might also be negatively impacted if the construction of the manufacturing facility in the Philippines is delayed. At current price of RM3.22, the company is trading at 2020E PE of 10.8x. Our target price of RM2.64 provides downside of 18% from current price of RM3.22.

Key Financials (FYE Mar)	FY19	FY20	FY21E	FY22E
Revenue (RMm)	978.8	859.4	760.9	837.0
EBITDA (RMm)	60.5	49.6	48.8	54.4
EBITDA margin	6.2%	5.8%	6.4%	6.5%
Core net profit (RMm)	41.0	30.9	29.5	25.8
FD EPS (sen)	41.3	31.1	29.7	26.0
FD EPS growth	90.5%	-24.7%	-4.5%	-12.6%
DPS (sen)	30.0	30.0	24.2	21.2
Payout ratio	73%	96%	81%	81%

Per Share Data (FYE Mar)	FY19	FY20	FY21E	FY22E
Book value (RM)	4.0	4.1	5.7	6.1
FCFE (RM)	0.0	0.4	0.3	-0.8
Earnings (sen)	41.3	31.1	29.7	26.0
Net dividend (sen)	30.0	30.0	24.2	21.2
Payout ratio	73%	96%	81%	81%
P/E (x)	11.9	15.8	10.8	12.4
P/FCFE (x)	(112.9)	12.0	10.6	(4.0)
P/Book value (x)	1.2	1.2	0.6	0.5
Net dividend yield	6.1%	6.1%	7.5%	6.6%
ROE	10.4%	7.7%	5.2%	4.3%
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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