

Protasco Bhd

Turning the corner

Summary

- Protasco Bhd's 3QFY21 net profit stood at RM3.0m vs. a net loss of RM0.4m recorded in the previous corresponding quarter, boosted by the better performances from the engineering & consultancy and trading & manufacturing segments, coupled with the lower effective tax rate at 32.5% vs. 56.9% recorded in 3QFY20. Revenue for the quarter, however, fell 18.1% YoY to RM308.4m.
- For 9MFY21, cumulative net profit stood at RM9.5m vs. a net loss of RM4.6m recorded in the previous corresponding period. Revenue for the period added 3.4% YoY to RM706.8m. The reported net profit makes up to 69.5% of our net profit forecast of RM13.6m. We deem the figures to be in line as we expect better performances in final quarter of 2021 with the pick-up in construction activities.
- In general, it was another stale quarter for Protasco with the absence new construction contracts in 3Q21. We foresee the remainder of FY21 to remain unchanged for the construction segment. Albeit that, Protasco will be able to leverage on its past expertise to ride onto the Budget 2022 announcement for the construction of low-cost housing projects; PPAM and we note that tenderbook is currently at approximately RM3.00bn.
- On the property development segment, the joint mixed residential development project in Tampin, Negeri Sembilan, which has an estimated GDV of RM371.5m will see the development period for seven years. That may bolster the property development segment in subsequent years.
- The maintenance segment will remain as the backbone of the earnings sustainability, supported by the long-term concession agreement that will ensure recurring stream of income till 2029.
- Moving forward, we foresee the upliftment of lockdowns to contribute towards the revival construction sector. At the same time, the hospitality as well as clean energy segments will also provide minor contributions over the foreseeable future, in line with the group's diversification efforts to mitigate some risks from the slowdown in construction sector.

Quarterly performance									
FYE Dec (RM m)	3QFY20	2QFY21	3QFY21	QoQ (%)	YoY (%)	9MFY20	9MFY21	YoY (%)	
Revenue	376.5	189.5	308.4	62.7	(18.1)	683.7	706.8	3.4	
EBITDA	24.9	15.8	22.0	39.7	(11.3)	46.4	49.8	7.3	
PBT	17.0	9.5	15.7	64.3	(7.9)	25.7	31.7	23.3	
PAT	7.3	10.0	10.6	6.0	44.4	9.6	23.7	147.1	
Core PATMI	(0.4)	6.4	3.0	(53.8)	807.6	(4.6)	9.5	303.5	
Reported PATMI	(0.4)	6.4	3.0	(53.8)	807.6	(4.6)	9.5	303.5	
Core EPS (sen)	(0.1)	1.3	0.6	(53.8)	807.6	(0.9)	1.9	303.5	
EBITDA margin (%)	6.6	8.3	7.2			6.8	7.0		
PBT margin (%)	4.5	5.0	5.1			3.8	4.5		
Core PATMI margin (%)	(0.1)	3.4	1.0			(0.7)	1.3		

Results Note – 3QFY21

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BUY

Share price	RM0.215
Target price	RM0.24
Previous TP	RM0.24
Capital upside	11.6%
Dividend return	-
Total return	11.6%

Company profile

One stop road solutions provider covering the full spectrum of road design, construction, rehabilitation and maintenance

Stock information

Bursa Code	5070
Bloomberg ticker	PRTA MK
Listing market	Main
Share issued (m)	495.4
Market Cap (m)	106.5
52W High/Low	0.35/0.21
Est. Free float	51.0%
Beta (x)	1.0
3-mth avg vol ('000)	282.4
Shariah compliant	Yes

Major shareholders

Dato' Sri Ir. Chong Ket Pen	19.4
Penmacorp Sdn Bhd	9.5
Gan Chun Hui	7.4

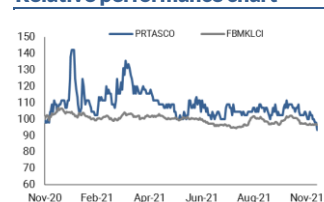
Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	-10.4	-8.5	-4.5
Relative	-6.5	-6.6	-0.9

Earnings summary

FYE (Dec)	FY20	FY21f	FY22f
PATMI (m)	(24.7)	13.6	20.1
EPS (sen)	(5.0)	2.7	4.1
P/E (x)	-	7.8	5.3

Relative performance chart



Valuation & Recommendation

- Given that the reported earnings came within our expectations, we made no changes to our earnings forecast. With the recent weakness in share price, valuations have turned slightly appealing and we upgrade our recommendation on Protasco to **BUY** (from Hold), with an unchanged target price of RM0.24.
- Our target price is derived via a sum-of-parts basis by ascribing a target PER of 8.0x to its FY22f fully diluted construction and concession segments, while the engineering services, education, trading, hotel and hospitality as well as clean energy business' valuations remain pegged at target PERs of 6.0x respectively due to its smaller scale businesses. Meanwhile its property development division is pegged to BV at 0.4x amid the weak property market outlook.
- Risks to our forecast and target price include (i) weaker-than-expected the targeted construction orderbook replenishment amount, (ii) slower work orders for the concession segment (iii) weaker property sales from new launches in its property business unit.

Key Financial Data

All items in (RM m) unless otherwise stated

Income Statement						Balance Sheet					
FYE Dec (RM m)	FY18	FY19	FY20	FY21f	FY22f	FYE Dec (RM m)	FY18	FY19	FY20	FY21f	FY22f
Revenue	904.9	823.6	1,002.1	908.3	974.9	Cash	151.5	136.7	252.3	385.8	325.8
EBITDA	42.1	56.2	37.1	70.5	82.3	Receivables	212.2	233.6	254.3	230.2	253.7
EBIT	26.1	41.4	19.8	53.0	63.0	Inventories	34.9	44.4	29.4	(107.5)	(95.4)
Net finance income/ (cost)	(13.4)	(9.8)	(8.7)	(9.2)	(9.1)	PPE	190.4	216.4	228.6	242.9	252.7
Associates & JV	0.0	3.0	2.9	3.4	3.9	Others	422.6	437.1	162.4	159.6	171.8
Profit before tax	12.7	34.6	14.1	47.1	57.8	Assets	1,011.7	1,068.1	926.9	911.0	908.7
Tax	(13.7)	(15.5)	(20.9)	(16.5)	(20.2)	Debts	285.7	384.2	256.6	236.2	223.5
Net profit	(1.0)	19.1	(6.8)	30.6	37.6	Payables	315.7	310.3	319.1	311.3	302.0
Minority interest	10.5	13.1	17.9	17.0	17.4	Others	58.4	18.2	11.7	13.5	13.8
Core earnings	(11.5)	6.0	(24.7)	13.6	20.1	Liabilities	659.8	712.7	587.4	561.0	539.3
Diluted core earnings	-	-	-	17.0	23.2	Shareholder's equity	332.4	331.0	305.6	322.0	342.1
Exceptional items	(41.6)	-	-	-	-	Minority interest	19.4	24.4	33.9	28.0	27.4
Reported earnings	(53.1)	6.0	(24.7)	13.6	20.1	Equity	351.8	355.4	339.5	350.0	369.4
Cash Flow Statement						Valuation & Ratios					
FYE Dec (RM m)	FY18	FY19	FY20	FY21f	FY22f	FYE Dec (RM m)	FY18	FY19	FY20	FY21f	FY22f
Profit before taxation	(28.9)	34.6	14.1	47.1	57.8	Core EPS (sen)	(2.3)	1.2	(5.0)	2.7	4.1
Depreciation & amortisation	15.9	14.8	17.3	17.5	19.4	Diluted Core EPS (sen)	-	-	-	2.8	3.9
Changes in working capital	(53.6)	(84.2)	216.2	133.7	(61.4)	P/E (x)	-	17.8	-	7.8	5.3
Share of JV profits	(1.5)	(3.0)	(2.9)	-	-	Diluted P/E (x)	-	-	-	7.6	5.6
Taxation	(18.3)	(13.0)	(16.0)	(16.5)	(20.2)	DPS (sen)	-	1.2	-	-	-
Others	-	-	-	-	-	Dividend yield	0.0%	5.6%	0.0%	0.0%	0.0%
Operating cash flow	(66.1)	(44.8)	247.8	179.6	(6.5)	BVPS (RM)	0.71	0.72	0.69	0.71	0.75
Net capex	(0.6)	(0.5)	(3.1)	(1.5)	(1.5)	P/B (x)	0.3	0.3	0.3	0.3	0.3
Others	-	-	-	-	-	EBITDA margin	4.6%	6.8%	3.7%	7.8%	8.4%
Investing cash flow	(12.4)	(40.1)	(41.8)	(32.0)	(29.7)	EBIT margin	2.9%	5.0%	2.0%	5.8%	6.5%
Changes in borrowings	75.1	98.5	(127.6)	79.6	(12.8)	PBT margin	1.4%	4.2%	1.4%	5.2%	5.9%
Issuance of shares	-	-	-	-	-	PAT margin	-0.1%	2.3%	-0.7%	3.4%	3.9%
Dividends paid	(25.1)	(2.9)	(2.9)	-	-	Core PAT margin	-1.3%	0.7%	-2.5%	1.5%	2.1%
Others	-	-	-	-	-	ROE	-3.5%	1.8%	-8.1%	4.2%	5.9%
Financing cash flow	4.5	82.9	(164.1)	27.2	(23.8)	ROA	-1.1%	0.6%	-2.7%	1.5%	2.2%
Net cash flow	(73.9)	(2.0)	41.9	174.7	(60.1)	Net gearing	38.1%	69.7%	1.3%	Net Cash	Net Cash
Forex	0.1	0.4	0.3	0.1	0.1						
Others	-	-	-	-	-						
Beginning cash	214.2	145.2	168.8	211.0	385.8						
Ending cash	140.4	168.8	211.0	385.8	325.8						

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