

23 February 2022

Pos Malaysia

FY21 Within Our Expectation

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FY21 core net loss expanded to RM193.8m compared to our/consensus full-year net loss estimate of RM207.1m/RM23.1m, respectively - within our expectation. Postal segment remained a drag to the group, cushioned by courier and logistics business which marked stronger recovery with better sales (higher cargo tonnage handled), and cost management in aviation segment. Maintain OP with a TP of RM0.720. A saving grace is the 6% dividend yield.

YoY, FY21 core net loss expanded to RM193.8m compared to core net loss of RM130m in FY20 mainly from decline in postal segment's revenue (-12%) with expanded loss of RM312.9m compared to loss of RM95.1m in FY20 (which also included impairment of PPE amounting to RM66.4m) following the decrease in mail and parcel volume handled especially from contract customers affected by another lockdown (that started in June 2021). This was, however, cushioned by: (i) stronger revenue in Logistics segment (+10%) which marked significantly lower losses of RM6.8m compared to segment loss of RM80.5m in FY20 from freight management business (especially from freight forwarding) and automotive business (largely from the local automotive production volume and commencement of a new warehouse), as well as (ii) recovery in aviation division's revenue (+33%) with significantly lower segment loss of RM33.2m compared to segment loss of RM159.3m in FY20 due to increased contribution from e-commerce warehousing, higher cargo tonnage handled (increasing number of flights), and ground handling businesses with better cost management.

QoQ, 4QFY21 net loss decreased to RM26.2m compared to net loss of RM43.1m in 3QFY21 despite registering flat revenue growth as most segments recovered post lockdown such as Logistics segment (+27%) and Aviation segment (+31%). 4QFY21 core loss was excluding the one-off mutual separation scheme cost of RM75.1m.

Outlook. POS' inability to close down post offices, coupled with its unionised workforce could well mean profitability at its postal services segment is capped. The courier business will continue to operate in a competitive environment pressured by price and cost challenges. Nonetheless, parcel volume will continue to be elevated under the "new normal environment" driven by online commerce, offsetting the reduction in footfall into post offices. On the other hand, both its logistics and aviation divisions saw turnaround improvement in their latest results. Logistics segment was driven by freight management business (especially from freight forwarding) and automotive business (largely from the local automotive production volume and commencement of a new warehouse). Aviation division is starting to take off on increased contribution from e-commerce warehousing, higher cargo tonnage handled (increasing number of flights), and ground handling businesses with better cost management. The group is continuing its efforts to manage cost with targeted yearly RM24m costs saving. Going into 2022, Pos Malaysia will continue executing its turnaround initiatives, improving both its service and its efficiency to create the platform to capitalize on the ongoing e-commerce growth opportunities.

Maintain OP with an unchanged TP of RM0.720 based on 10x FY22E EPS. A saving grace is the 6% dividend yield. Note that, POS typically announced dividend during audited full-year results announcement. **Risks to our call include:** (i) slower-than-expected turnaround in profit for postal services and (ii) lower-than-expected margins in its courier segment.

OUTPERFORM ↔

Price : RM0.680
Target Price : RM0.720 ↔

Share Price Performance



KLCI 1,576.96
YTD KLCI chg 0.6%
YTD stock price chg 3.8%

Stock Information

Shariah Compliant Yes
Bloomberg Ticker POSM MK equity
Market Cap (RM m) 532.3
Shares Outstanding 782.8
52-week range (H) 1.00
52-week range (L) 0.59
3-mth avg daily vol: 1,260,857
Free Float 34%
Beta 1.0

Major Shareholders

Hicom Holdings Berhad 31.4%
DRB-Hicom Bhd 22.1%
KWAP 5.3%

Summary Earnings Table

FYE Dec (RM m)	2021A	2022E	2023E
Revenue	2,194.0	2,126.6	2,105.4
Profit Before Tax	-332.3	75.4	82.1
Net Profit/(loss)	-336.6	56.3	61.4
Core Net Profit/(Loss)	-195.1	56.3	61.4
Consensus (CNP)	-	14.8	15.8
Earnings Revision	-	-	new
Core EPS (LPS) (sen)	-24.9	7.2	7.8
CNP growth (%)	51.8	-128.9	8.9
DPS (sen)	4.0	4.0	4.0
BVPS (RM)	1.44	1.48	1.52
Core PER (x)	N.M	9.4	8.7
Price/BV (x)	0.5	0.5	0.4
Net Gearing (x)	0.4	0.3	0.2
Div. Yield (%)	5.9	5.9	5.9



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Result Highlight

FYE Dec (RM m)	4QFY21	3QFY21	QoQ	4QFY20	YoY	FY21	FY20	YoY
Revenue	528.6	536.3	-1%	544.6	-3%	2,194.0	2,332.3	-6%
EBIT/ (LBIT)	(114.3)	(28.5)	302%	(214.7)	-47%	(288.9)	(251.8)	15%
PBT/(LBT)	(125.4)	(40.5)	210%	(231.7)	-46%	(331.1)	(303.5)	9%
PAT/ (LAT)	(123.2)	(43.9)	181%	(232.3)	-47%	(335.7)	(308.0)	9%
Core PATAMI (LATAMI)	(26.2)	(43.1)	-39%	(51.3)	-49%	(193.8)*	(130.0)	49%
EBIT Margin	N.M	N.M		N.M		N.M	N.M	
PBT margin	N.M	N.M		N.M		N.M	N.M	
Net margin	N.M	N.M		N.M		N.M	N.M	
Effective tax rate	N.M	N.M		N.M		N.M	N.M	

*Excluding one-off impairment 1) net loss on impairment-RM66.4m 2) Mutual Separation Scheme-RM75.1m 3) Disposal Gain-RM0.4m.

Source: Company, Kenanga Research

Segment Highlight

FY Dec (RM m)	4QFY21	3QFY21	QoQ	4QFY20	YoY	FY21	FY20	YoY
Postal	347.4	382.8	-9%	396.1	-12%	1,520.4	1,737.3	-12%
Logistics	86.5	67.9	27%	82.7	5%	345.9	313.9	10%
Aviation	63.9	48.8	31%	37.6	70%	216.1	163.0	33%
Others	30.8	36.8	-16%	28.2	9%	111.7	118.0	-5%
Total Revenue	528.6	536.3	-1%	544.6	-3%	2,194.0	2,332.3	-6%
Postal	(101.4)	(41.1)	147%	(50.6)	100%	(312.9)	(95.1)	229%
Logistics	(7.2)	(3.1)	128%	(55.2)	-87%	(6.8)	(80.5)	-92%
Aviation	(15.2)	(4.2)	258%	(129.2)	-88%	(33.2)	(159.3)	-79%
Others	(1.7)	8.0	-121%	3.3	-151%	21.8	31.4	-31%
Total PBT	(125.4)	(40.5)	210%	(231.7)	-46%	(331.1)	(303.5)	9%

Source: Company, Kenanga Research

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Peer Comparison

Name	Last Price	Market Cap	Shariah	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div.Yld. (%)	Target Price	Rating
	(RM)	(RM'm)	Compliant	FYE	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	(RM)	
PERAK TRANSIT BERHAD	0.625	396.7	Y	12/2021	13.9%	4.6%	25.4%	3.4%	9.5	7.6	7.3	0.8	0.8	10.7%	5.1%	0.850	OP
POS MALAYSIA BHD	0.680	532.3	Y	12/2021	-3.1%	-1.0%	-71.1%	8.9%	N.A.	9.4	8.7	0.7	0.6	6.8%	5.9%	0.720	OP
WESTPORTS HOLDINGS BHD	3.90	13,299.0	Y	12/2022	1.5%	5.9%	-5.7%	11.6%	18.1	19.2	17.2	4.3	4.0	21.6%	3.9%	4.00	MP
Simple Average					4.1%	3.2%	-17.2%	8.0%	13.8	12.1	11.1	1.9	1.8	13.0%	5.0%		

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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