

23 May 2024

## Pos Malaysia

### One-Time Boost to Postal Services

By Wan Mustaqim Bin Wan Ab Aziz I [wanmustaqim@kenanga.com.my](mailto:wanmustaqim@kenanga.com.my)

POS's 1QFY24 results met expectations. Its 1QFY24 core net loss narrowed 22% YoY driven by some one-time postal services rendered to the government. We are positive on its disposal of a shipping-related unit for RM123.2m cash. However, its conventional mail business will continue to struggle in the digital age. We maintain our forecasts, TP of RM0.33 and UNDERPERFORM call.

POS's 1QFY24 core net loss met our expectation at 23% of our full-year net loss forecast. There is insufficient research coverage by the market to form a consensus estimate.

**YoY**, POS's 1QFY24 revenue rose 2% with increase in demand for its postal service (+4%) and aviation (+34%), partially offset by weaker showing from logistics services (-28%).

Its postal sales received a one-time boost from postal services rendered to a government agency, which cushioned the slowdown in online shopping and lower demand from major e-commerce players that were investing in their in-house delivery capabilities (for instance, Shopee Express of Shopee).

Meanwhile, its aviation sales continued to recover on the back of the booming air freight sector coupled with the resumption of umrah charter flights (which also boosted in-flight catering services). However, its logistics sales were weighed down by unfavourable business environment.

All in, its 1QFY24 core net loss narrowed by 22%.

**QoQ**, POS's 1QFY24 revenue rose 7% on a one-time boost from a government contract as mentioned (+11%), as well as sustained demand for aviation (+5%), partially offset by weaker top-line performance from logistics services (-4%). All in, its 1QFY24 core net loss narrowed by 70%.

**Disposal of a shipping-related unit.** On a separate note, POS is disposing PNSL Bhd (PNSL) for RM123.2m cash to SWA Shipping Sdn Bhd. A loss-making non-core unit under its logistics segment, PNSL is engaged in ship chartering, ship operating and ship owning, mainly in handling bulk cargoes (dry bulk and liquid bulk) and specialized cement carrier. The disposal entailed EV/EBITDA of 3.0x which is comparable to its more profitable peers ranging from 3.1x to 8.8x, expected to be completed by 4QCY24.

We are positive on the disposal based on POS's guidance for deconsolidation of loss of RM3.4m and interest savings of RM1.4m. We estimate the disposal could narrow FY25F loss forecast by 10%. The proceeds will also reduce POS's net gearing slightly from 0.7x to 0.6x. However, it will not substantially alter POS's weak fundamentals.

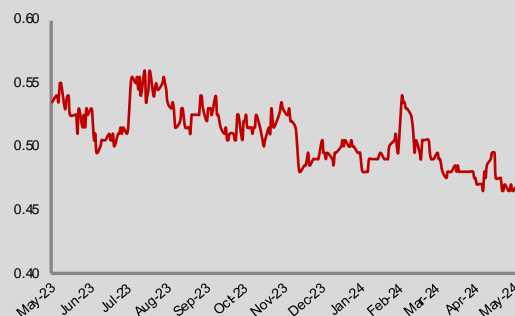
**Forecasts.** Maintained pending the completion of the deal.

**Valuations.** We also maintain our DCF-derived TP at RM0.33 based on discount rate equivalent to a WACC of 6.2% and a terminal growth rate of 0%. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

## UNDERPERFORM ↔

Price : RM0.47  
Target Price : RM0.33 ↔

### Share Price Performance



KLCI	1,622.09
YTD KLCI chg	11.5%
YTD stock price chg	-5.1%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	POSM MK Equity
Market Cap (RM m)	367.9
Shares Outstanding	782.8
52-week range (H)	0.57
52-week range (L)	0.46
3-mth avg. daily vol.	747,621
Free Float	31%
Beta	0.6

### Major Shareholders

Hicom Holdings Berhad	31.4%
DRB-Hicom Bhd	22.1%
KWAP	4.0%

### Summary Earnings Table

FYE Dec (RM m)	2023A	2024F	2025F
Revenue	1,870.7	1,753.6	1,669.2
Profit Before Tax	-140.7	-74.7	-43.5
<b>Net Profit/(Loss)</b>	<b>-158.6</b>	<b>-89.9</b>	<b>-52.4</b>
<b>Core Net Profit/(Loss)</b>	<b>-146.1</b>	<b>-89.9</b>	<b>-52.4</b>
Consensus (CNL)	-	-	-
Loss Revision (%)	-	-	-
Core EPS (LPS) (sen)	-18.7	-11.5	-6.7
CNP Growth (%)	44.5	-38.5	-41.7
DPS (sen)	-	-	-
BVPS (RM)	0.63	0.58	0.54
Core PER (x)	-	-	-
Price/BV (x)	0.7	0.8	0.9
Net Gearing (x)	0.6	0.7	0.6
Div. Yield (%)	-	-	-

23 May 2024

**Investment case.** We are cautious on POS due to: (i) its conventional mail business that is struggling to stay relevant in the digital age, and we doubt that we have seen the bottom, (ii) its declining courier volume as incumbent POS has to face tremendous competition from new players such as J&T Express and Ninja Van that undercut aggressively on rates to grow their market share, and (iii) its cost-cutting measures being insufficient to counter its weakening core business revenue. While we applaud its recent venture into "POS Shop" convenience stores through transforming its existing POS stores (currently 11 stores and target of 40 new stores in FY24), we are concerned on the gestation period of the stores to achieve operational efficiency. Maintain **UNDERPERFORM**.

**Risks to our call include:** (i) the privatisation of POS at a premium over the market price, (ii) the return of profitability as cost rationalisation efforts finally pay off, and (iii) POS emerging stronger post the consolidation of the courier service segment after weak players are eliminated.

### Results Highlights

FYE Dec (RM m)	1QFY24	4QFY23	QoQ	1QFY23	YoY	1QFY24	1QFY23	YoY
<b>Revenue</b>	<b>492.0</b>	<b>461.6</b>	<b>7%</b>	<b>482.3</b>	<b>2%</b>	<b>492.0</b>	<b>482.3</b>	<b>2%</b>
EBIT/ (LBIT)	(3.5)	(55.6)	-94%	(11.9)	-70%	(3.5)	(11.9)	-70%
Interest expenses	(12.1)	(10.9)	11%	(10.9)	11%	(12.1)	(10.9)	11%
EI	0.6	(0.5)		(1.2)		0.6	(1.2)	
PBTZ/(LBTZ)	(15.0)	(66.4)	-77%	(24.0)	-37%	(15.0)	(24.0)	-37%
Zakat & Tax Expense	(4.9)	(4.0)		(3.7)		(4.9)	(3.7)	
Minority Interest	0.3	-		-		0.3	-	
<b>Net Profit / (Net Loss)</b>	<b>(19.9)</b>	<b>(69.8)</b>	<b>-71%</b>	<b>(27.7)</b>	<b>-28%</b>	<b>(19.9)</b>	<b>(27.7)</b>	<b>-28%</b>
<b>Core Profit / (Core Loss)</b>	<b>(20.6)</b>	<b>(69.4)</b>	<b>-70%</b>	<b>(26.5)</b>	<b>-22%</b>	<b>(20.6)</b>	<b>(26.5)</b>	<b>-22%</b>
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	

Source: Company, Kenanga Research

### Segmental Performance

FY Dec (RM m)	1QFY24	4QFY23	QoQ	1QFY23	YoY	1QFY24	1QFY23	YoY
Postal	292.0	263.2	11%	279.6	4%	292.0	279.6	4%
Logistics	64.8	67.9	-4%	89.5	-28%	64.8	89.5	-28%
Aviation	91.7	87.0	5%	68.3	34%	91.7	68.3	34%
Others	43.4	43.5	0%	44.8	-3%	43.4	44.8	-3%
<b>Total Revenue</b>	<b>492.0</b>	<b>461.6</b>	<b>7%</b>	<b>482.3</b>	<b>2%</b>	<b>492.0</b>	<b>482.3</b>	<b>2%</b>
Postal	(24.1)	(51.7)	-53%	(35.8)	-33%	(24.1)	(35.8)	-33%
Logistics	(5.7)	(31.1)	-82%	0.3	<100%	(5.7)	0.3	<100%
Aviation	3.5	(1.6)	>100%	(0.5)	<100%	3.5	(0.5)	>100%
Others	10.9	18.0	-39%	11.7	-7%	10.9	11.7	-7%
<b>Total PBT</b>	<b>(15.4)</b>	<b>(66.5)</b>	<b>-77%</b>	<b>(24.3)</b>	<b>-37%</b>	<b>(15.4)</b>	<b>(24.3)</b>	<b>-37%</b>

Source: Company, Kenanga Research

23 May 2024

## Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
<b>Stocks Under Coverage</b>																	
BINTULU PORT HOLDINGS BHD	MP	6.41	5.90	-8.0%	2,948.6	Y	12/2024	25.8	30.3	1.2%	17.4%	24.8	21.2	1.6	6.4%	13.0	2.0%
POS MALAYSIA BHD	UP	0.470	0.330	-29.8%	367.9	Y	12/2024	(11.5)	(6.7)	-161.5%	-158.3%	N.A.	N.A.	0.8	-19.0%	0.0	0.0%
SWIFT HAULAGE BHD	MP	0.550	0.510	-7.3%	485.6	Y	12/2024	5.1	5.5	-10.3%	7.1%	10.8	10.1	0.7	6.3%	1.7	3.1%
WESTPORTS HOLDINGS BHD	MP	4.00	3.80	-5.0%	13,640.0	Y	12/2024	23.4	24.5	2.5%	4.6%	17.1	16.3	3.7	22.1%	17.6	4.4%
<b>SECTOR AGGREGATE</b>					<b>37,844.8</b>					<b>113.4%</b>	<b>14.9%</b>	<b>22.3</b>	<b>19.4</b>	<b>1.4</b>	<b>2.9%</b>		<b>1.9%</b>

Source: Kenanga Research

The rest of the page is intentionally left blank

**Stock ESG Ratings:**

	Criterion	Rating				
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	★	★	
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★		
<b>SPECIFIC</b>	Services Quality & Safety	★	★	★		
	Cybersecurity & Data Privacy	★	★	★	★	
	Customer Experience	★	★	★		
	Supply Chain Management	★	★	★	★	
	Energy Efficiency	★	★	★	★	
	Waste Management	★	★	★		
<b>OVERALL</b>		★	★	★		

☆ denotes half-star  
 ★ -10% discount to TP  
 ★★ -5% discount to TP  
 ★★★ TP unchanged  
 ★★★★ +5% premium to TP  
 ★★★★★ +10% premium to TP

**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.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**  
 Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
 Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)

