# Pos Malaysia

## Existing Gracefully

# UNDERPERFORM ↔

Price : RM0.27

Target Price : RM0.15 ↔

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**POS's 1HFY25 results met our expectation. Its 1HFY25 core net loss expanded 12% YoY. The gradual improvement in postal (largely from increase in parcel volumes, which also offers better rates than traditional mail) and logistics segment rebounding from a trough was eclipsed by cost overrun and marine assets maintenance. Its aviation segment flying high on the booming air freight sector remains a bright spot. We maintain our forecasts, DCF-derived TP of RM0.15 and UNDERPERFORM call.**

POS's 1HFY25 core net loss of RM85.1m came in within our expectation at 52% of our full-year loss forecast. We have sole coverage on the stock.

**YoY,** POS's 1HFY25 revenue fell 3% on weakening demand for its postal service (-1%) and logistics services (-23%), partially offset by aviation (+3%).

Its postal sales continued to be affected by the slowdown in online shopping and lower demand from major e-commerce players that have been investing in in-house delivery capabilities (for instance, Shopee Express of Shopee). Its traditional domestic mail volume fell 11%, while international mail volume flattish, with parcel volume bucking the trend with a 11% growth driven by service-led market share gains in both the B2B and B2C sectors. Moreover, its logistics sales were weighed down by unfavourable business environment.

Meanwhile, its aviation sales continued to recover on the back of the booming air freight sector coupled with the stronger demand for umrah charter flights (which also boosted its in-flight catering services).

All in, its 1HFY25 core net loss expanded by 12% on cost overruns.

**QoQ,** POS's 2QFY25 revenue fell 5% due to the decline in the postal business (-11%) on receding parcel volumes, and aviation (-2%) due to seasonally lower umrah charter rate, partially shielded by the improved logistics services (+6%) as marine assets gradually returned to operation after scheduled maintenance in 1QFY25. Meanwhile, loss at postal was higher by 13% on declining parcel volumes which offer a better rate versus "universal service obligations" postal service. All in, its 2QFY25 core net loss expanded by 11%.

**Forecasts.** Maintained.

**Valuations.** We also maintain our DCF-derived TP of RM0.15 based on unchanged 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).

**Investment case.** We are cautious on POS due to: (i) its conventional mail business that is struggling to turn around in the digital age, (ii) its courier business facing tremendous competition from new players such as J&T Express and Ninja Van that undercut rates aggressively to grow their market share, and (iii) its cost-cutting measures being insufficient to counter its weakening core business revenue. While we applaud its venture into "POS Shop" convenience stores through transforming its existing POS stores (it successfully launched 50 stores in FY24), we are concerned on the gestation period of the stores to achieve operational efficiency. Maintain **UNDERPERFORM.**

### Share Price Performance


| | |
|---|---|
| KLCI | 1,592.87 |
| YTD KLCI chg | -3.0% |
| YTD stock price chg | 8.0% |

### Stock Information

| | |
|---|---|
| Shariah Compliant | Yes |
| Bloomberg Ticker | POSM MK Equity |
| Market Cap (RM m) | 211.3 |
| Shares Outstanding | 782.8 |
| 52-week range (H) | 0.39 |
| 52-week range (L) | 0.17 |
| 3-mth avg. daily vol. | 5,173,135 |
| Free Float | 31% |
| Beta | 0.9 |

### Major Shareholders

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

### Summary Earnings Table

| FYE Dec (RM m) | 2024A | 2025F | 2026F |
|---|---|---|---|
| Revenue | 1,853.0 | 1,850.7 | 1,858.7 |
| Profit Before Tax | -180.2 | -134.7 | -119.8 |
| **Net Profit/(Loss)** | **-202.7** | **-162.7** | **-144.9** |
| **Core Net Profit/(Loss)** | **-192.8** | **-162.7** | **-144.9** |
| Consensus (CNL) | - | - | - |
| Loss Revision (%) | - | - | - |
| Core EPS (LPS) (sen) | -24.6 | -20.8 | -18.5 |
| CNP Growth (%) | 32.0 | -15.6 | -10.9 |
| DPS (sen) | - | - | - |
| BVPS (RM) | 0.37 | 0.27 | 0.18 |
| Core PER (x) | - | - | - |
| Price/BV (x) | 0.7 | 1.0 | 1.5 |
| Net Gearing (x) | 1.2 | 1.9 | 3.2 |
| Div. Yield (%) | - | - | - |

**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) | 2QFY25 | 1QFY25 | QoQ | 2QFY24 | YoY | 6MFY25 | 6MFY24 | YoY |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | **441.6** | **467.1** | **-5%** | **443.4** | **0%** | **908.6** | **935.4** | **-3%** |
| EBIT/ (LBIT) | (27.8) | (23.8) | 17% | (38.5) | -28% | (51.6) | (42.1) | 23% |
| Interest expenses | (13.5) | (12.7) | 6% | (11.9) | 14% | (26.3) | (24.0) | 10% |
| EI | (0.5) | (0.8) | | (0.5) | | (1.4) | 0.1 | |
| PBTZ/(LBTZ) | (42.3) | (37.6) | 12% | (51.2) | -17% | (79.9) | (66.5) | 20% |
| Zakat & Tax Expense | (3.4) | (3.9) | | (4.8) | | (7.3) | (9.8) | |
| Minority Interest | - | 0.3 | | - | | - | - | |
| **Net Profit / (Net Loss)** | **(45.2)** | **(41.2)** | **10%** | **(55.6)** | **-19%** | **(86.4)** | **(75.5)** | **14%** |
| **Core Profit / (Core Loss)** | **(44.7)** | **(40.4)** | **11%** | **(55.1)** | **-19%** | **(85.1)** | **(75.7)** | **12%** |
| | | | | | | | | |
| 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) | 2QFY25 | 1QFY25 | QoQ | 2QFY24 | YoY | 6MFY25 | 6MFY24 | YoY |
|---|---|---|---|---|---|---|---|---|
| Postal | 249.1 | 279.1 | -11% | 241.4 | 3% | 528.2 | 533.3 | -1% |
| Logistics | 52.3 | 49.1 | 6% | 67.2 | -22% | 101.4 | 132.0 | -23% |
| Aviation | 91.4 | 93.0 | -2% | 88.0 | 4% | 184.4 | 179.8 | 3% |
| Others | 48.7 | 45.8 | 6% | 46.8 | 4% | 94.6 | 90.3 | 5% |
| **Total Revenue** | **441.6** | **467.1** | **-5%** | **443.4** | **0%** | **908.6** | **935.4** | **-3%** |
| | | | | | | | | |
| Postal | (39.3) | (34.8) | 13% | (65.6) | -40% | (74.1) | (89.7) | -17% |
| Logistics | (13.2) | (12.0) | 10% | (3.0) | 340% | (25.2) | (8.7) | 189% |
| Aviation | 3.6 | 2.7 | 34% | 3.3 | 8% | 6.2 | 6.9 | -9% |
| Others | 10.2 | 2.9 | 257% | 14.1 | -28% | 13.1 | 25.0 | -48% |
| **Total PBT** | **(38.7)** | **(41.2)** | **-6%** | **(51.2)** | **-24%** | **(79.9)** | **(66.5)** | **20%** |

*Source: Company, Kenanga Research*

## 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. |
| **Stocks Under Coverage** | | | | | | | | | | | | | | | | | |
| BINTULU PORT HOLDINGS BHD | MP | 5.20 | 5.15 | -1.0% | 2,392.0 | Y | 12/25 | 25.6 | 28.1 | -21.9% | 9.7% | 20.3 | 18.5 | 1.2 | 6.0% | 11.7 | 2.3% |
| POS MALAYSIA BHD | UP | 0.270 | 0.150 | -44.4% | 211.4 | Y | 12/25 | (20.8) | (18.5) | -184% | -189% | N.A. | N.A. | 1.0 | -64.6% | 0.0 | 0.0% |
| SWIFT HAULAGE BHD | UP | 0.420 | 0.320 | -23.8% | 373.7 | Y | 12/25 | 3.2 | 3.5 | 2.5% | 8.9% | 13.3 | 12.2 | 0.5 | 3.8% | 1.6 | 3.8% |
| WESTPORTS HOLDINGS BHD | OP | 5.70 | 6.00 | 5.3% | 19,437.0 | Y | 12/25 | 27.9 | 32.2 | 5.9% | 15.5% | 20.4 | 17.7 | 4.8 | 24.2% | 20.9 | 3.7% |
| **SECTOR AGGREGATE** | | | | | **21,677.9** | | | | | **-49.5%** | **-38.8%** | **18.0** | **16.1** | **1.9** | **-7.7%** | | **2.4%** |

*Source: Kenanga Research*

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## Stock ESG Ratings:

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

☆ 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.***



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