

Protasco Bhd

Year-end kitchen sinking

Summary

- Protasco Bhd's 4QFY22 net loss stood at -RM20.8m vs. a net profit of RM7.2m recorded in the previous corresponding quarter, due to (i) weaker contribution from the maintenance, trading, education and energy segments, (ii) higher finance expenses and (iii) higher impairment of trade receivables. Revenue for the quarter slipped 24.7% YoY to RM305.8m.
- For FY22, cumulative net loss stood at -RM30.6m vs. a net profit of RM16.7m recorded in the previous corresponding period. The reported figures were a distance against our expected net loss of -RM8.8m for FY22f. The variances are mainly due to the higher-than-expected impairment on trade receivables from the engineering & consultancy segment and weaker maintenance contribution due to lower periodic works performed.
- Going forward, the outstanding construction orderbook of approximately RM400.0m (as at end-FY22) will provide earnings visibility over the next 2-3 years. We gather that road upgrading works at Kulim valued at RM229.2m is at still infant stage (4% completion), while the Prihatin housing project valued at RM442.7m is expected to commence this year. This may boost contribution from the construction segment that was inactive over the past 3 financial years.
- The maintenance segment is expected to anchor the revenue and profitability in subsequent quarters, backed by 2 long-term federal road and 5 long-term state road concession agreements that will ensure recurring income stream till 2029. This will be underpinned by an outstanding maintenance orderbook of c.RM2.10bn.
- We gather that Jade Hill, Tampin development (Phase 1) comprising landed properties that carries a total gross development value of RM21.0m was launched and that may beef up the contribution from property development segment. While the education segment to stay in the red in FY23f due to the lower student population from China, we reckon that diversification efforts into the hospitality and clean energy segment are bearing fruits with both the segments are operating near breakeven levels. Still, both the contributions are expected to remain miniscule (<5.0% of total revenue).

Quarterly performance								
FYE Dec (RM m)	4QFY21	3QFY22	4QFY22	QoQ (%)	YoY (%)	12MFY21	12MFY22	YoY (%)
Revenue	406.0	187.5	305.8	63.1	(24.7)	1,112.8	881.5	(20.8)
EBITDA	27.6	12.4	(16.3)	(230.9)	(159.0)	77.3	10.5	(86.4)
PBT	22.6	3.5	(20.8)	(698.6)	(192.0)	54.4	(16.1)	(129.6)
PAT	14.7	1.3	(23.0)	(1,848.3)	(256.4)	38.4	(25.5)	(166.3)
Core PATMI	7.2	(0.8)	(20.8)	(2,538.2)	(386.9)	16.7	(30.6)	(283.4)
Reported PATMI	7.2	(0.8)	(20.8)	(2,538.2)	(386.9)	16.7	(30.6)	(283.4)
Core EPS (sen)	1.5	(0.2)	(4.2)	(2,538.2)	(386.9)	3.4	(6.2)	(283.4)
EBITDA margin (%)	6.8	6.6	(5.3)			6.9	1.2	
PBT margin (%)	5.6	1.9	(6.8)			4.9	(1.8)	
Core PATMI margin (%)	1.8	(0.4)	(6.8)			1.5	(3.5)	

Results Note – 4QFY22

Kenneth Leong
kennethleong@msec.com.my
(603) 22012100

SELL (from Hold)

Share price	RM0.195
Target price	RM0.17
Previous TP	RM0.18
Capital upside	-12.8%
Dividend return	-
Total return	-12.8%

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)	96.6
52W High/Low	0.23/0.19
Est. Free float	50.8%
Beta (x)	0.9
3-mth avg vol ('000)	205.7
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 (%)

	1M	3M	12M
Hist. return			
Absolute	0.0	2.6	-2.5
Relative	3.0	19.1	-43.4

Earnings summary

FYE (Dec)	FY22	FY23f	FY24f
PATMI (m)	(30.6)	11.7	14.4
EPS (sen)	(6.2)	2.4	2.9
P/E (x)	-	8.2	6.7

Relative performance chart



Valuation & Recommendation

- Given that the reported numbers came below expectations, we revised our FY23f and FY24f forecast core net profit lower by 17.9% and 12.2% to RM11.8m and RM14.4m respectively, on the back of the weaker engineering & consultancy segment, coupled with lower periodic works under the maintenance segment. We downgrade PRTASCO to **SELL** with a lower target price of RM0.17.
- Our target price is derived via a sum-of-parts basis by ascribing a target PER of 7.0x to both its FY23f fully diluted construction and concession segments, while the other segment valuations remain pegged at target PERs of 5.0x respectively due to its smaller scale businesses. Meanwhile its property development division is pegged to BV at 0.4x amid the sluggish property market outlook.
- Risks to our forecast and target price include (i) stronger-than-expected construction orderbook replenishment amount, (ii) more work orders for the concession segment (iii) better 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)	FY20	FY21	FY22	FY23f	FY24f	FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f
Revenue	996.2	1,112.8	881.5	1,060.8	1,154.4	Cash	256.0	199.4	207.0	230.3	190.2
EBITDA	36.1	76.3	10.1	48.5	52.4	Receivables	149.2	247.6	207.5	188.9	189.8
EBIT	20.5	59.3	(8.5)	30.7	34.3	Inventories	29.4	33.0	35.1	32.6	33.1
Net finance income/ (cost)	(8.7)	(7.6)	(10.4)	(9.1)	(8.7)	PPE	238.2	242.7	238.1	241.5	246.4
Associates & JV	2.7	2.7	2.8	3.0	3.1	Others	204.6	182.6	172.9	172.3	178.6
Profit before tax	14.6	54.4	(16.1)	24.5	28.7	Assets	877.2	905.3	860.6	865.6	838.1
Tax	(21.6)	(16.0)	(9.4)	(7.3)	(8.6)	Debts	260.1	248.6	214.3	203.6	193.4
Net profit	(7.0)	38.4	(25.5)	17.1	20.1	Payables	174.0	264.8	278.1	247.7	241.8
Minority interest	18.2	21.7	5.2	5.4	5.6	Others	105.0	31.1	41.5	42.5	43.7
Core earnings	(25.2)	16.7	(30.6)	11.7	14.4	Liabilities	539.0	544.6	533.9	493.9	479.0
Diluted core earnings	-	-	-	13.1	13.2	Shareholder's equity	304.1	315.9	285.9	296.6	312.0
Exceptional items	-	-	-	-	-	Minority interest	34.1	44.8	40.8	75.1	47.1
Reported earnings	(25.2)	16.7	(30.6)	11.7	14.4	Equity	338.3	360.7	326.7	371.8	359.1
Cash Flow Statement						Valuation & Ratios					
FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f	FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f
Profit before taxation	14.6	54.4	(16.1)	24.5	28.7	Core EPS (sen)	(5.1)	3.4	(6.2)	2.4	2.9
Depreciation & amortisation	15.6	16.9	18.6	17.9	18.1	Diluted Core EPS (sen)	-	-	-	2.2	2.2
Changes in working capital	220.2	(58.1)	62.4	52.4	1.0	P/E (x)	-	5.8	-	8.2	6.7
Share of JV profits	(2.7)	(2.7)	(2.5)	(2.5)	(2.5)	Diluted P/E (x)	-	-	-	9.0	8.9
Taxation	(16.0)	(25.9)	(13.4)	(7.3)	(8.6)	DPS (sen)	-	-	-	-	-
Others	-	-	-	-	-	Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
Operating cash flow	272.3	(8.3)	68.7	90.4	41.8	BVPS (RM)	0.68	0.73	0.66	0.75	0.72
Net capex	(4.5)	3.2	4.8	-	-	P/B (x)	0.3	0.3	0.3	0.3	0.3
Others	-	-	-	-	-	EBITDA margin	3.6%	6.9%	1.1%	4.6%	4.5%
Investing cash flow	(38.5)	(13.8)	(12.4)	(19.9)	(21.9)	EBIT margin	2.1%	5.3%	-1.0%	2.9%	3.0%
Changes in borrowings	(124.2)	(11.5)	(34.3)	(10.7)	(10.2)	PBT margin	1.5%	4.9%	-1.8%	2.3%	2.5%
Issuance of shares	-	-	-	-	-	PAT margin	-0.7%	3.5%	-2.9%	1.6%	1.7%
Dividends paid	(2.9)	-	-	-	-	Core PAT margin	-2.5%	1.5%	-3.5%	1.1%	1.3%
Others	-	-	-	-	-	ROE	-8.3%	5.3%	-10.7%	4.0%	4.6%
Financing cash flow	(182.8)	(34.3)	(63.2)	(49.8)	(50.8)	ROA	-2.9%	1.8%	-3.6%	1.4%	1.7%
Net cash flow	50.9	(56.4)	(6.9)	20.7	(30.9)	Net gearing	1.2%	13.6%	2.2%	-7.2%	0.9%
Forex	-	-	0.0	-	-						
Others	-	-	-	-	-						
Beginning cash	168.8	219.8	163.3	156.5	177.1						
Ending cash	219.8	163.3	156.5	177.1	146.3						

Disclaimer: This report is prepared exclusively for Malacca Securities Sdn Bhd's (MSSB) clients and is not intended to be distributed to any other party in any form or manner. All information, assumptions, estimates and opinions contained in this report is based on available data and the information is believed to be reliable at the time of writing. MSSB and/or its associated persons does not warrant, represent and/or guarantee the accuracy of any opinions and information herein in any manner whatsoever and no reliance upon the report and/or any parts thereof by anyone shall give rise to any claim whatsoever against MSSB. This report is for information purposes only and shall not be construed as an offer, invitation or solicitation to buy or sell the securities or any related investment or financial instruments mentioned in this report. MSSB and/or its associated persons may from time to time have an interest in the securities mentioned herein.