

Protasco Bhd

Turning the corner

Summary

- Protasco Bhd's 4QFY21 net profit stood at RM6.8m vs. a net loss of RM20.6m recorded in the previous corresponding quarter, mainly driven by the (i) higher contribution from the road maintenance segment, construction and clean energy segments, (ii) turnaround in the construction segment and (iii) reduction of losses from property development and engineering & consultancy segments. Revenue for the quarter improved 29.1% YoY to RM403.4m.
- For FY21, cumulative net profit stood at RM16.2m vs. a net loss of RM25.2m recorded in FY20. Revenue for the year added 11.5% YoY to RM1.11bn. The reported net profit makes up to 119.2% of our net profit forecast of RM13.6m. The variance is mainly due to the better-than-expected contribution from the construction segment.
- After a difficult period for the construction segment over the past two years, we think that a recovery is largely on sight. For now, Protasco will 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.
- We foresee that the maintenance segment will continue to anchor the earnings sustainability, supported by the long-term concession agreement that will ensure recurring stream of income till 2029. We believe that Protasco may also be able to tap into the RM3.50bn allocated for infrastructure projects under Budget 2022.
- While the upliftment of lockdowns may contribute towards the revival construction sector, the absence of orderbook replenishment may continue to bog down the construction segment. Meanwhile, the group's diversification efforts to mitigate some risks from the slowdown in construction sector through the diversification into hospital and clean energy segments are bearing fruit.

Quarterly performance								
FYE Dec (RM m)	4QFY20	3QFY21	4QFY21	QoQ (%)	YoY (%)	FY20	FY21	YoY (%)
Revenue	312.5	308.4	403.4	30.8	29.1	996.2	1,110.3	11.5
EBITDA	8.2	22.0	26.6	20.7	226.3	54.6	76.4	40.0
PBT	(11.2)	15.7	21.8	39.0	294.4	14.6	53.5	267.7
PAT	(16.6)	10.6	14.2	34.6	185.6	(7.0)	37.9	639.7
Core PATMI	(20.6)	3.0	6.8	128.3	132.9	(25.2)	16.2	164.3
Reported PATMI	(20.6)	3.0	6.8	128.3	132.9	(25.2)	16.2	164.3
Core EPS (sen)	(4.2)	0.6	1.4	128.3	132.9	(5.1)	3.3	164.3
EBITDA margin (%)	2.6	7.2	6.6			5.5	6.9	
PBT margin (%)	(3.6)	5.1	5.4			1.5	4.8	
Core PATMI margin (%)	(6.6)	1.0	1.7			(2.5)	1.5	

Results Note – 4QFY21

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BUY

Share price	RM0.195
Target price	RM0.24
Previous TP	RM0.24
Capital upside	23.1%
Dividend return	-
Total return	23.1%

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	0.32/0.19
Est. Free float	51.0%
Beta (x)	0.9
3-mth avg vol ('000)	135.7
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 (%)

Hist. return	1M	3M	12M
Absolute	-4.9	-9.3	-20.4
Relative	-8.8	-12.5	-20.0

Earnings summary

FYE (Dec)	FY21	FY22f	FY23f
PATMI (m)	16.2	19.4	25.0
EPS (sen)	3.3	3.9	5.1
P/E (x)	5.9	5.0	3.9

Relative performance chart



Valuation & Recommendation

- Although the reported earnings came above our expectations, we made no changes to our earnings forecast. We reckon that earnings growth may remain rocky amid the lack of orderbook replenishment. Still, we maintained our **BUY** recommendation on Protasco, 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)	FY19	FY20	FY21	FY22f	FY23f	FYE Dec (RM m)	FY19	FY20	FY21	FY22f	FY23f
Revenue	823.6	1,002.1	1,110.3	1,145.0	1,194.8	Cash	136.7	252.3	187.2	175.8	149.3
EBITDA	56.2	37.1	75.7	88.5	97.7	Receivables	233.6	254.3	313.7	313.7	327.3
EBIT	41.4	19.8	58.7	68.5	76.5	Inventories	44.4	29.4	31.2	37.3	29.1
Net finance income/ (cost)	(9.8)	(8.7)	(8.6)	(9.1)	(8.8)	PPE	216.4	228.6	242.7	264.7	279.4
Associates & JV	3.0	2.9	3.4	3.9	4.5	Others	437.1	162.4	183.3	186.0	191.4
Profit before tax	34.6	14.1	53.5	63.3	72.2	Assets	1,068.1	926.9	958.1	977.5	976.5
Tax	(15.5)	(20.9)	(15.6)	(19.0)	(21.7)	Debt	384.2	256.6	250.7	223.5	210.7
Net profit	19.1	(6.8)	37.9	44.3	50.5	Payables	310.3	319.1	299.1	291.5	308.5
Minority interest	13.1	17.9	21.7	24.9	25.6	Others	18.2	11.7	31.2	30.1	29.0
Core earnings	6.0	(24.7)	16.2	19.4	25.0	Liabilities	712.7	587.4	581.0	545.0	548.3
Diluted core earnings	-	-	17.6	20.9	24.9	Shareholder's equity	331.0	305.6	335.6	355.0	380.0
Exceptional items	-	-	-	-	-	Minority interest	24.4	33.9	41.5	77.5	48.3
Reported earnings	6.0	(24.7)	16.2	19.4	25.0	Equity	355.4	339.5	377.1	432.5	428.2
Cash Flow Statement						Valuation & Ratios					
FYE Dec (RM m)	FY19	FY20	FY21	FY22f	FY23f	FYE Dec (RM m)	FY19	FY20	FY21	FY22f	FY23f
Profit before taxation	34.6	14.1	53.5	63.3	72.2	Core EPS (sen)	1.2	(5.0)	3.3	3.9	5.0
Depreciation & amortisation	14.8	17.3	17.0	20.0	21.2	Diluted Core EPS (sen)	-	-	2.9	3.5	4.1
Changes in working capital	(84.2)	216.2	(76.3)	(3.5)	(35.0)	P/E (x)	16.1	-	6.0	5.0	3.9
Share of JV profits	(3.0)	(2.9)	-	-	-	Diluted P/E (x)	-	-	6.7	5.6	4.7
Taxation	(13.0)	(16.0)	(15.6)	(19.0)	(21.7)	DPS (sen)	1.2	-	-	-	-
Others	-	-	-	-	-	Dividend yield	6.2%	0.0%	0.0%	0.0%	0.0%
Operating cash flow	(44.8)	247.8	(23.7)	58.8	34.8	BVPS (RM)	0.72	0.69	0.76	0.87	0.86
Net capex	(0.5)	(3.1)	(1.5)	(1.5)	(1.5)	P/B (x)	0.3	0.3	0.3	0.2	0.2
Others	-	-	-	-	-	EBITDA margin	6.8%	3.7%	6.8%	7.7%	8.2%
Investing cash flow	(40.1)	(41.8)	(39.0)	(34.9)	(36.5)	EBIT margin	5.0%	2.0%	5.3%	6.0%	6.4%
Changes in borrowings	98.5	(127.6)	79.6	(12.8)	(12.8)	PBT margin	4.2%	1.4%	4.8%	5.5%	6.0%
Issuance of shares	-	-	-	-	-	PAT margin	2.3%	-0.7%	3.4%	3.9%	4.2%
Dividends paid	(2.9)	(2.9)	-	-	-	Core PAT margin	0.7%	-2.5%	1.5%	1.7%	2.1%
Others	-	-	-	-	-	ROE	1.8%	-8.1%	4.8%	5.5%	6.6%
Financing cash flow	82.9	(164.1)	27.2	(23.8)	(24.9)	ROA	0.6%	-2.7%	1.7%	2.0%	2.6%
Net cash flow	(2.0)	41.9	(35.6)	0.2	(26.6)	Net gearing	69.7%	1.3%	Net Cash	Net Cash	Net Cash
Forex	0.4	0.3	0.1	0.1	0.1						
Others	-	-	-	-	-						
Beginning cash	145.2	168.8	211.0	175.5	175.8						
Ending cash	168.8	211.0	175.5	175.8	149.3						

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