



POS MALAYSIA

(POSM MK EQUITY, PSHL.KL)

3 Aug 2020

Wider suspension in international services

HOLD

(Maintained)

AmInvestment Bank

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Rationale for report: Company update

Price	RM0.98
Fair Value	RM0.90
52-week High/Low	RM1.80/RM0.52

Key Changes

Fair value	↔
EPS	↔

YE to Dec	FY19	FY20F	FY21F	FY22F
Revenue (RM mil)	1,682.5	2,230.8	2,352.7	2,566.0
Core net profit (RM mil)	(119.2)	(89.7)	(23.5)	30.7
FD Core EPS (sen)	(0.6)	(0.1)	(0.0)	0.1
FD Core EPS growth (%)	(0.5)	(0.8)	(0.7)	(3.2)
Consensus Net Profit (RM mil)	-	(53.0)	(0.8)	(17.2)
DPS (sen)	-	-	-	-
PE (x)	nm	nm	nm	10.8
EV/EBITDA (x)	nm	nm	nm	5.5
Div yield (%)	-	-	-	-
ROE (%)	(14.4)	(5.2)	(1.4)	3.0
Net Gearing (%)	23.2	20.3	23.5	23.7

Stock and Financial Data

Shares Outstanding (million)	782.8
Market Cap (RM mil)	743.6
Book Value (RM/share)	1.92
P/BV (x)	0.5
ROE (%)	(14.4)
Net Gearing (%)	23.2

Major Shareholders	Hicom Holdings(31.4%) DRB-Hicom(22.1%) KWAP(6.6%)
Free Float	27.2
Avg Daily Value (RM mil)	3.2

Price performance	3mth	6mth	12mth
Absolute (%)	13.2	(31.6)	(43.4)
Relative (%)	(0.6)	(34.7)	(42.3)



— POSM MK — FBMKLCI Index

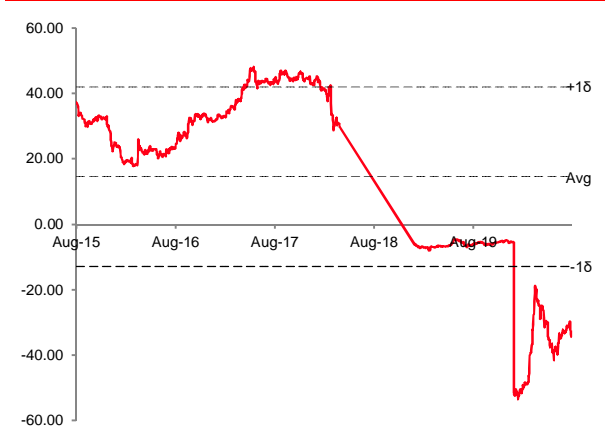
Investment Highlights

- We maintain our forecasts and FV of RM0.90 for Pos Malaysia based on its historical P/B of 0.51x. We believe the new norms (accelerated digitalization, social distancing, proliferation of online shopping, etc) in the aftermath of the Covid-19 pandemic are positive to the parcel delivery segment (of which Pos Malaysia is one of the top three players in Malaysia). However, this is offset by an overly crowded playing field with cut throat competition resulting in razor thin margins, if they even exist at all. We maintain our HOLD recommendation.
- Pos Malaysia has temporarily suspended its outbound international mail, parcel and Express Mail Service (EMS) services to all international destinations (except Singapore), beginning 3 August 2020. This is because borders remain largely closed globally, limiting the availability of international flights and full-fledged airport services. We estimate that international mail/parcel services made up about 15% of Pos Malaysia's revenues before the pandemic.
- To recall, Pos Malaysia suspended its international mail and parcel services to most of its destinations (except China, Hong Kong, Japan, Singapore and the UK) from 30 Mar 2020, but resumed services to selected destinations two weeks later. It appears that Pos Malaysia has finally decided to throw in the towel.
- Meanwhile, Pos Malaysia will maintain its AsiaXpress international courier services but only at selected post offices and Pos Laju centres for the delivery of international mail and parcel.
- We are maintaining our forecasts as we believe we have adequately reflected the scaled down operations at its international services.
- Postal service providers around the global, Pos Malaysia included, are fighting a losing battle in the dying snail mail business. In order to survive, they need to: (1) cut cost; and (2) reinvent. We believe Pos Malaysia's hands are tied given its unionised workforce. Meanwhile, its courier segment could be considered a "reinvention" (and it has an advantage over its competitors given its extensive legacy post office network). However, the segment is weighed down by cut-throat competition as mentioned.

EXHIBIT 1: PB BAND CHART



EXHIBIT 2: PE BAND CHART



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