

28 August 2015 | 1QFY16 Results Review

Litrak Berhad

Improved earnings from SPRINT highway

INVESTMENT HIGHLIGHTS

- **1Q16 earnings above expectations**
- **All round better performance**
- **SPRINT benefiting from higher toll rates**
- **Revising upward our earnings forecast and valuation**
- **Maintain BUY with higher TP of RM5.07**

1Q16 earnings above expectations. Litrak's 1Q16 net profit of RM43.5m (+24%yoy) was ahead of our forecast but within consensus estimates representing 30% and 25% of respective FY16 forecasts. An interim dividend of 15 sen (1Q15: 10 sen) was announced which is above our expectations as we expected 20 sen for FY16.

All round better performance. The growth in 1Q15 earnings was mainly a result of: i) higher traffic volume; ii) lower maintenance expenses which decreased -18%yoy due to major pavement works nearing completion; iii) lower finance cost by -4%yoy with repayment of RM114m borrowings and iv) higher shared income from 50% associate, SPRINT which swung into profitability from net loss.

SPRINT benefiting from higher toll rates. Litrak's 50% stake in SPRINT recorded earnings of RM5.2m as increased toll rates for the Damansara and Pantai Tolls took effect starting 1/1/2015. Both these toll plazas saw toll rates rise by 30-33% according to the concession agreement. As SPRINT has 3 toll plazas (Damansara, Pantai and Penchala), the hike in 2 out of 3 tolls increases the overall blended toll per pax of SPRINT by 20%.

Revising upward our earnings forecast and valuation. We are revising our FY16 earnings upwards by 24% as we impute higher earnings contribution from SPRINT of RM20m (previously: breakeven) and lower maintenance expenses to RM21m (previously: RM28m).

Maintain BUY with higher TP of RM5.07 (from: RM4.56). Our BUY call on Litrak is based on Discounted Cash Flow (DCF) assuming beta of 0.6x and WACC of 6.15%. We like Litrak due to: 1) attractive FY16 dividend per share of 25 sen offering a decent yield of 5.4%p.a. which represents a 72% payout ratio (past 3 years: between 65-75%); 2) completion of MRT works to ease traffic congestion; 3) SPRINT highway swinging into profitability with higher toll rates and better traffic growth.



Maintain BUY

Revised Target Price (TP): RM5.07
(Previously: RM4.56)

RETURN STATS	
Price (27 Aug 2015)	RM4.60
Target Price	RM5.07
Expected Share Price Return	+10.2%
Expected Dividend Yield	+5.4%
Expected Total Return	+15.6%

STOCK INFO	
KLCI	1,601.70
Bursa / Bloomberg	6645/ LTK MK
Board / Sector	Main/Trading Services
Syariah Compliant	Yes
Issued shares (mil)	515.7
Par Value (RM)	0.20
Market cap. (RM'm)	2,391.4
Price over NA	4.28x
52-wk price Range	RM3.39-RM4.95
Beta (against KLCI)	0.36
3-mth Avg Daily Vol	0.42m
3-mth Avg Daily Value	RM1.84m
Major Shareholders	
GamudaBhd	44.25%
KWAP	7.86%
PNB	7.07%

INVESTMENT STATISTICS

FYE Dec	FY15	FY16F	FY17F
Revenue* (RM' m)	380.7	393.6	415.2
EBIT (RM' m)	259.0	279.6	299.2
Pretax Profit (RM' m)	187.0	233.2	258.2
Net Profit (RM' m)	137.9	177.2	196.2
EPS (sen)	26.8	34.4	38.1
EPS growth (%)	2.6	28.5	10.7
PER (x)	17.2	13.4	12.1
Net Dividend (sen)	20.0	24.8	26.7
Net Dividend Yield (%)	4.3	5.4	5.8

Source: MIDFR, Company

LITRAK: 1QFY16 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results			Cumulative		Comments
	1Q16	%YoY	%QoQ	3MFY16	%YoY	
FYE Mar						
Revenue	96.2	0.4%	2.5%	96.2	0.4%	Higher average weekday toll traffic for LDP
Staff cost	(7.2)	-1.0%	-20.3%	(7.2)	-1.0%	
Maint. expenses	(3.8)	18.4%	63.8%	(3.8)	18.4%	Pavement works reaching tailend
EBITDA	83.4	1.2%	12.5%	83.4	1.2%	
Depreciation	(15.7)	-1.5%	1.8%	(15.7)	-1.5%	
EBIT	67.7	1.1%	16.4%	67.7	1.1%	
Finance cost	(18.0)	4.3%	-2.9%	(18.0)	4.3%	Repayment of RM114m borrowings
Other income	2.1	815.6%	2965.2%	2.1	815.6%	
Shares of assoc.	5.2	1722.5%	77.6%	5.2	1722.5%	Higher traffic volume and toll rates
Profit before tax	56.9	18.7%	30.6%	56.9	18.7%	
Net Profit	43.5	23.8%	31.4%	43.5	23.8%	
EBIT Margin (%)	70.4%	.5 pts	8.4 pts	70.4%	.5 pts	
Net Margin (%)	45.2%	8.6 pts	9.9 pts	45.2%	8.6 pts	

Source: Company, MIDFR

DAILY PRICE CHART



Source: Bloomberg

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.