

21 April 2017 | Small Cap Highlight

Perak Transit Berhad

Replicating a successful terminal

Non-rated
Fair Value: 30 sen
(previously 23 sen)

INVESTMENT HIGHLIGHTS

- **Stable income stream to be boosted by tourism**
- **Potentially higher footfall may lift rental and A&P income**
- **Replicating the model in Kampar and Tronoh**
- **Fair value of 30 sen based on 12x FY18F EPS**

BUSINESS OVERVIEW

Perak Transit (PTrans) owns and operates the Amanjaya Terminal in Ipoh. The integrated terminal has been in operations since 2012. PTrans rents out shop spaces as well as advertising and promotional spaces. Its three main businesses are integrated public transportation terminal, bus operations and petrol stations (*See Exhibit 1*).

Stable income stream to be boosted by tourism. We expect PTrans earnings to grow in FY17 in conjunction with the Visit Perak Year as the state government expects 6.82 million tourist arrivals from about 6 million in 2016. Another factor that could increase visitor flow to the Amanjaya Terminal is the Movie Animation Park Studio (MAPS) theme park that is expected to open this year end. The theme park is 4km away from the Amanjaya Terminal and is estimated to attract approximately 1 million visitors per year. PTrans can also benefit from the visitor flow to MAPS via the provision of shuttle services and carpark fees.


Potentially higher rental from special events. We expect PTrans to benefit from the higher rental of the vacant gross floor area for special events in conjunction with the Visit Perak year. We expect occupancy rate to improve to 85% from 80% currently. It should be able to have good bargaining power rates based on the growth in number of visitors to the bus terminal. Notably, ticket purchasing passengers have increased by 11% from 760,740 in FY14 to 842,907 in FY16. Being the only gazetted express bus terminal in Ipoh means that it should benefit from the higher number of tourists visiting the state. Overall, we estimate income from rental of A&P space and lettable area to grow 14% in FY17 and 23% in FY18. Its bus operation segment is also expected to grow by 26% due to 16 new routes that started end of last year.

Expanding via Kampar terminal. The company is building a lifestyle-centric bus terminal in Kampar, to cater to the demography there that consists of college students. Compared to Amanjaya, the Kampar terminal will have a net lettable area (NLA) of 400,000 sq ft, which is almost eight times the NLA of 49,000 sq ft at Amanjaya. The new terminal consists of cinema, leisure bowling alleys and budget hotel. The construction of the terminal is slated for completion in 2HFY18 and we expect positive contribution from FY19 onwards.

RETURN STATS	
Price (20 April 2017)	RM0.26
Fair Value	RM0.30
Expected Share Price Return	15.4%
Expected Dividend Yield	1.7%
Expected Total Return	+17.1%

STOCK INFO	
KLCI	1,741.61
Bursa / Bloomberg	0186/PERAK
Board / Sector	ACE/ Trading and Services
Syariah Compliant	Yes
Issued shares (m)	1,142.95
Par Value (RM)	0.10
Market cap. (RM'm)	297.17
Price over NA	1.11
52-wk price Range	RM0.15- RM0.27
Beta (against KLCI)	N/A
3-mth Avg Daily Vol	7.59m
3-mth Avg Daily Value	RM1.68m
Major Shareholders (%)	
Muamalat Venture Sdn Bhd	13.12
CBS Link	16.62
Dato' Sri Cheong Kong Fitt	15.60
MTD Capital	8.75

Long term growth from Tronoh and Bidor terminals. After the completion of the Kampar Terminal, the company plans to build another terminal in Tronoh, Perak, which is in-line with its vision to replicate the model in underserved areas in Perak. PTrans recently announced that it acquired two parcels of land measuring 16.64 acres in Tronoh, Perak for RM7.97m to be funded via internal cash. We view this purchase positively as additional terminals should diversify its income stream five years from now. The land is close to the Universiti Teknologi PETRONAS (*see exhibit 2*) and the upcoming SEGi University College. Universiti Teknologi MARA Perak is also in the vicinity of the new site. There are also housing and mixed development projects planned near to PTrans' land. Similarly, it has signed a sales and purchase agreement to buy a 4.9-acre parcel in Bidor in January to build an integrated terminal.

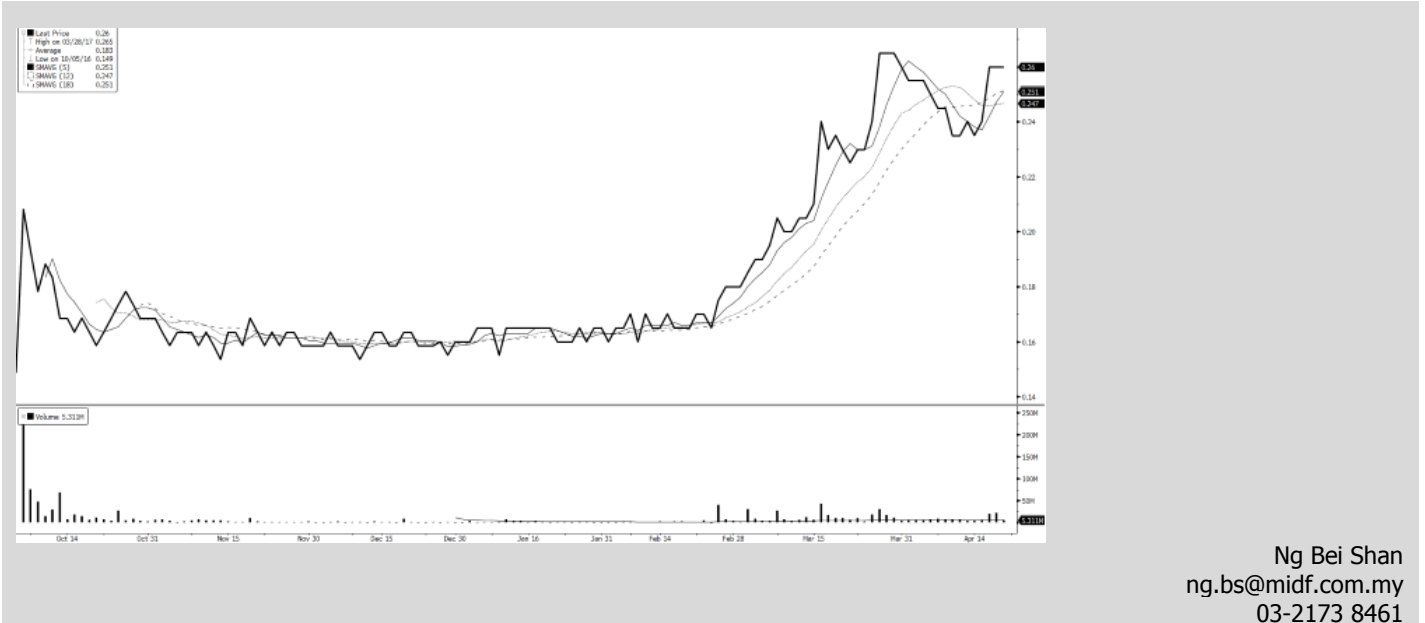
Higher fair value of 30 sen based on 12x FY18F EPS. We have increased our FV from 23 sen to 30 sen as we roll our estimates to FY18F based on unchanged valuation method of 12x PER, which is in-line with FBM Small Cap's forward PE. We like the company's steady flow of recurring income, which is derived from the rental of commercial space and advertisement space. We also commend the management's long-term plan and efforts to replicate such models in other up and coming towns in Perak. The three new terminals in the pipeline ensure there is a steady growth of income for the company in the mid to long term. 

INVESTMENT STATISTICS

FYE Dec	FY14	FY15	FY16	FY17F	FY18F
Revenue	77.58	74.12	90.18	107.50	124.10
Cost of sales	-50.92	-41.20	-51.58	-57.31	-66.68
Gross Profit	26.66	32.93	38.60	50.20	57.42
Profit Before Tax	13.31	19.25	25.33	29.93	33.32
Profit After Tax	20.80	19.08	21.67	25.63	28.54
EPS (sen)	1.82	1.67	1.90	2.24	2.50
EPS growth (%)	190.1	-8.3	13.6	18.3	11.3
PER	14.28	15.57	13.71	11.59	10.41
DPS (sen)	-	0.40	0.15	0.40	0.45
Dividend Yield (%)	-	1.5	0.6	1.5	1.7
PBT Margin (%)	17.2	26.0	28.1	27.8	26.8

Source: Company, MIDF Research Forecast

DAILY PRICE CHART

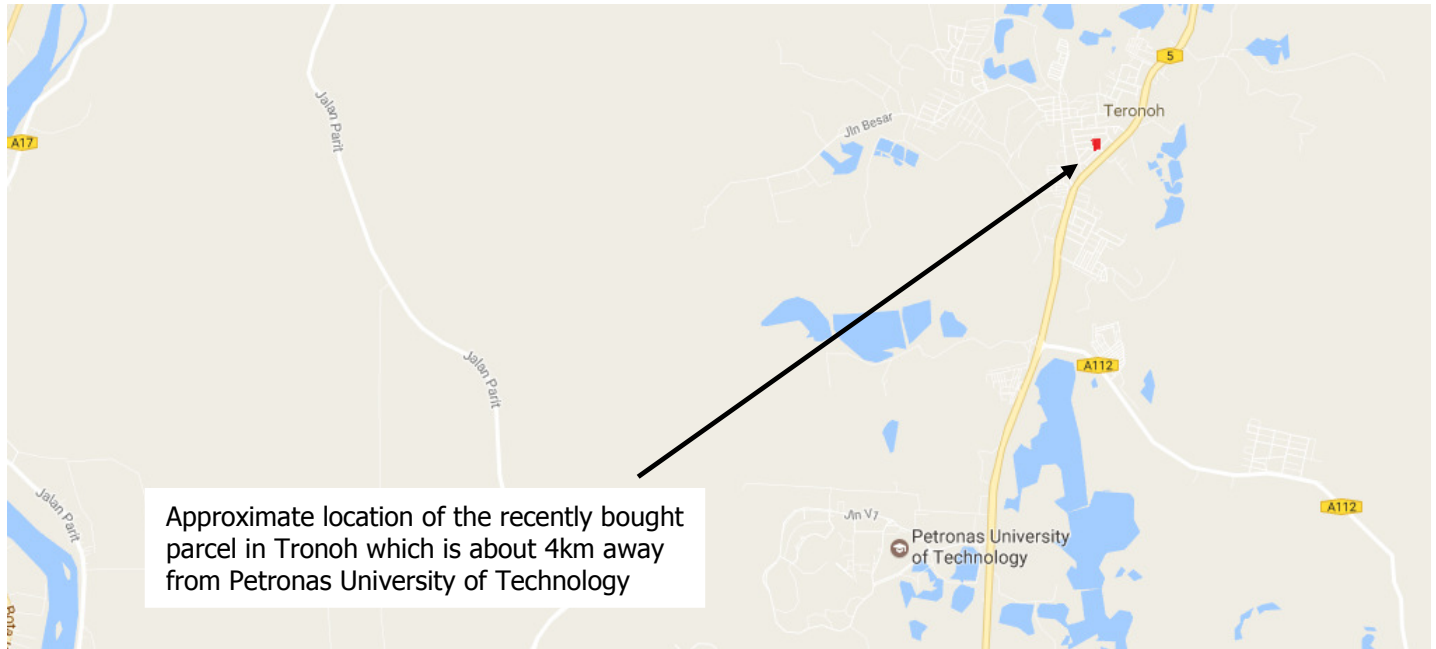


Source: Bloomberg

Exhibit 1: Perak Transit's Core Businesses

Integrated Public Transportation Terminal	Bus Operations	Petrol Station Operations
<ul style="list-style-type: none"> Rental of advertising and promotional spaces Rental of shops and kiosks Project facilitation Holding bays for buses and taxis Parking bays for private cars 	<ul style="list-style-type: none"> Provision of public stage bus and express bus services Government support fund for unprofitable routes to ensure continuity of bus services Rental of spaces on buses for advertisement 167 buses 	<ul style="list-style-type: none"> Four petrol stations in Perak: Shell at Lahat and Tanjung Rambutan, BHP at Terminal Amanjaya and Petron at Kuala Kangsar

Exhibit 2: The Tronoh land is situated next to the Ipoh-Lumut highway



Source: Company, Google Maps, MIDF Research

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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.