Lingkaran Trans Kota Holdings Berhad

(6645 | LTK MK) Main | Transportation & Logistics

Pending deal completion

***Downgrade to* NEUTRAL**

(from BUY)

***Unchanged* Target Price: RM5.08**

KEY INVESTMENT HIGHLIGHTS

- **1QFY23 PAT of RM62.9m was within expectation**
- **Share of loss in SPRINT Group was -RM5.4m in 1QFY23**
- **FY23 PAT not impacted by Cukai Makmur**
- **Earnings and dividend estimates left unchanged**
- **Downgrade to NEUTRAL with an unchanged TP of RM5.08**

Within expectations. Lingkaran Trans Kota Holdings Berhad (LITRAK Holdings) reported PAT of RM62.9m in 1QFY23, this was within our estimate, making up 23% of ours and consensus full-year estimates. To note, the results were reported under the discontinued operations section pending the completion of the disposal of highways.

Quarter-on-quarter. LITRAK Holdings posted higher revenue of RM124.6m (+7.7%qoq) on the back of improved tollable traffic volume at the Lebuhraya Damansara-Puchong highway (LDP) after movement restrictions were lifted in early-1QFY23. PAT was higher at RM56.9m (+50.1%qoq) mainly attributed to lower finance cost following the scheduled repayment of bonds in Apr-22, lower share of loss from its associate – SPRINT Group and lower effective tax rate without the impact of Cukai Makmur in FY23.

Year-on-year. On a year-on-year basis, the Group's revenue saw a notable improvement of +43.2%yoy as there were multiple phases of the movement restrictions in 1QFY22. Similarly, PAT grew by +50.1%yoy as lower finance cost was incurred, despite recognising higher amortisation of highway development expenditure in both LITRAK Holdings and SPRINT Group.

Downgrade to NEUTRAL. With regard to the proposed takeover by Amanat Lebuhraya Rakyat Berhad (ALR), it has gotten the approval of the shareholders in an Extraordinary General Meeting (EGM) on 5 August 2022. Currently, the two things that are pending include: (i) approval for the refinancing of LITRAK's and SPRINT's indebtedness from the existing lenders and (ii) successful fundraising by ALR to complete the acquisition. The deal is targeted to be concluded by 3QCY22. LITRAK Holdings has earmarked the RM2.71b disposal proceeds for redistribution to shareholders, which gives an implied **RM5.08/share**. With the recent rise in its share price, we downgrade our call on LITRAK Holdings to **NEUTRAL** from BUY.

RETURN STATISTICS	
Price @ 29th August 2022 (RM)	4.87
Expected share price return (%)	**+4.3**
Expected dividend yield (%)	+5.4
Expected total return (%)	**+9.7**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	0.6	0.1
3 months	1.5	7.7
12 months	27.5	35.1

KEY STATISTICS	
FBM KLCI	1,501,57
Syariah compliant	Yes
F4BGM Index	No
ESG Grading Band (Star Rating)	-
Issue shares (m)	533.08
Estimated free float (%)	38.02
Market Capitalisation (RM'm)	2,629.85
52-wk price range	RM3.55 - RM4.93
Beta vs FBM KLCI (x)	0.61
Monthly velocity (%)	6.14
Monthly volatility (%)	13.91
3-mth average daily volume (m)	0.40
3-mth average daily value (RM'm)	1.90
Top Shareholders (%)	
Gamuda Bhd	42.60
Amanah Saham Nasional Bhd	12.89
Employees Provident Fund Board	6.17

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INVESTMENT STATISTICS

Income Statement	2020A	2021A	2022A	2023E	2024F
Revenue	503.8	392.8	400.9	520	522.5
PBT	342.9	267.1	242.3	358.7	364.3
PAT	261.9	205.8	162.8	273.7	279.1
EPS (RM)	0.49	0.39	0.31	0.51	0.52
PER (x)	9.5x	12.1x	15.3x	9.1x	8.9x
DPS (RM)	0.25	0.20	0.20	0.25	0.25
Dividend yield (%)	5.4%	4.3%	4.3%	5.4%	5.4%

Source: MIDFR, Company

LITRAK: 1Q23 RESULTS SUMMARY

Income Statement	Quarterly				
(In RM'm unless stated otherwise)	1Q23	4Q22	1Q22	QoQ	YoY
Revenue	124.6	115.8	87.1	7.7%	43.2%
Operating profit	87.4	62.4	62.0	40.0%	41.1%
Finance costs	(3.7)	(6.5)	(7.0)	42.9%	47.1%
Share of results of an associate	(5.4)	(13.0)	(2.9)	58.6%	-86.7%
PBT	77.8	46.6	51.7	67.2%	50.7%
Taxation	(20.8)	(23.9)	(13.7)	13.0%	-52.4%
PAT	56.9	22.6	37.9	151.6%	50.1%
PBT margin (%)	62.5%	40.2%	59.3%		
PAT margin (%)	45.7%	19.5%	43.6%		
Tax rate (%)	-26.8%	-51.4%	-26.5%		

Source: MIDFR, Company

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% 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.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology