2Q23 Results Review (Within) | Wednesday, 30 November 2022

Tiong Nam Logistics Holdings Berhad

***Maintain* NEUTRAL**

(8397 | TNL MK) Transportation & Logistics | Industrials

Results met expectations

***Unchanged* Target Price: RM0.68**

KEY INVESTMENT HIGHLIGHTS

- **1HFY23 results met our expectation**
- **More orders from growing clientele within the core segment**
- **EBIT margin expanded by +1.8%qoq on better cost control**
- **No revision to our earnings estimates**
- **Maintain NEUTRAL with an unchanged TP of RM0.68**

Within expectations. Tiong Nam Logistics Holdings Berhad (Tiong Nam) posted core PATAMI of RM5.9m in 6MFY23. This came in within expectations at 55% of ours and 46% of consensus estimates respectively.

Quarterly. On a year-on-year basis, the Group turned to the black after posting core PATAMI of RM4.4m (>100.0%). The uptick in revenue was driven by growing orders from its new and existing customers. Meanwhile, earnings grew almost tripled on a quarter-on-quarter basis, albeit seeing marginal decline of -0.5%qoq in revenue due to better cost control which saw its EBIT margin expanding by almost +2.0%.

Cumulatively. In the 6-month period, Tiong Nam's core PATAMI was 3.5x higher relative to 6MFY22. All segments reported growing revenue, except for the dormitory segment due to the deconsolidation of the hotel segment in 3QFY22. The food and beverage (F&B), information technology (IT) and electrical and electronics (E&E) sectors were among the top contributors to the growth in their core logistics & warehousing services segment. Notably, the effective tax rate remained high attributed to the non-deductible expenses related to its loss-making subsidiaries in the property development business.

Maintain NEUTRAL. We keep our earnings estimates unchanged as the results met our expectation. Growth within the logistics and warehousing segment is expected to be sustainable on the back of its growing multinational corporations (MNCs) clientele. The Group is targeting to achieve 45% MNCs contribution by FY25 (FY22: 35%). However, we remain cautious on its volatile earnings trend, largely due to the cost escalation prompted by its expansion. Elsewhere, the mega warehouse that is being built for Mercedes Benz in Senai Airport City is only expected to commence in FY24, hence we see this as more of a medium to longer-term catalyst for Tiong Nam. Overall, we maintain our **NEUTRAL** call on Tiong Nam with an unchanged TP of **RM0.68** (FY24F EPS pegged to PE of 22x).

RETURN STATISTICS	
Price @ 29th November 2022 (RM)	0.68
Expected share price return (%)	0.0
Expected dividend yield (%)	0.0
Expected total return (%)	**0.0**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	7.3	5.1
3 months	10.8	9.0
12 months	-15.8	-13.8

KEY STATISTICS	
FBM KLCI	1,476.96
Syariah compliant	Yes
F4BGM Index	No
ESG Grading Band (Star Rating)	☆
Issue shares (m)	514.05
Estimated free float (%)	41.67
Market Capitalisation (RM'm)	341.84
52-wk price range	RM0.54 - RM0.82
Beta vs FBM KLCI (x)	0.66
3-mth average daily volume (m)	0.07
3-mth average daily value (RM'm)	0.04
Top Shareholders (%)	
Ong Yoong Nyock	25.02
Tntt Realty Sdn Bhd	23.56
AmBank M Bhd	3.67

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INVESTMENT STATISTICS

Income Statement	FY2021A	FY2022A	FY2023E	FY2024F	FY2025F
Revenue	602.1	691.0	702.0	723.7	753.0
EBITDA	123.6	123.1	133.4	141.1	146.8
EBIT	63.5	59.0	59.7	68.8	71.5
PBT	20.9	17.1	17.6	25.3	26.4
PATAMI	11.4	5.1	10.5	15.9	18.8
Core PATAMI	3.9	(2.4)	10.5	15.9	18.8
Core EPS (sen)	0.8	(0.5)	2.0	3.1	3.7
PER (x)	89.9x	n.m.	33.2x	22.0x	18.6x

Sources: Company, MIDFR

TIONG NAM: 2Q23 RESULTS SUMMARY

(RM'm unless stated otherwise)	Quarterly					Cumulatively		
Income Statement	**2Q23**	**1Q23**	**2Q22**	**QoQ**	**YoY**	**6M23**	**6M22**	**YoY**
Revenue	177.0	177.9	165.4	-0.5%	7.0%	354.9	332.3	6.8%
EBIT	16.3	13.1	13.0	24.9%	25.7%	29.4	26.3	11.9%
Finance cost	(10.7)	(9.7)	(11.0)	-10.0%	2.4%	(20.4)	(21.3)	4.1%
Associates	(1.1)	(0.7)	0.003	-52.5%	-37066.7%	(1.8)	(0.02)	-10100.0%
PBT	4.5	2.7	2.0	70.9%	122.4%	7.2	5.0	43.5%
Taxation	(2.7)	(2.2)	(1.5)	-24.0%	-76.6%	(4.8)	(2.8)	-74.7%
PAT	1.9	0.5	0.5	272.6%	253.5%	2.4	2.2	5.2%
PATAMI	1.7	0.4	0.3	332.5%	550.4%	2.0	1.8	12.7%
Core PATAMI	4.4	1.7	(0.14)	156.7%	3216.9%	5.9	1.7	240.2%
EBIT margin (%)	9.2%	7.4%	7.9%			8.3%	7.9%	
PBT margin (%)	2.6%	1.5%	1.2%			2.0%	1.5%	
Core PATAMI margin (%)	2.5%	1.0%	-0.1%			1.7%	0.5%	
Tax rate (%)	-58.9%	-81.1%	-74.1%			-67.1%	-55.1%	

Sources: Company & MIDFR

SEGMENTAL BREAKDOWN

(RM'm unless stated otherwise)	Quarterly					Cumulatively		
Income Statement	**2Q23**	**1Q23**	**2Q22**	**QoQ**	**YoY**	**6M23**	**6M22**	**YoY**
Revenue								
Logistics & warehousing	175.6	172.5	163.1	1.8%	7.7%	348.1	327.0	6.5%
Investment	0.8	0.7	0.04	5.9%	1606.8%	1.5	0.2	560.6%
Property development	0.5	4.6	0.4	-89.2%	25.8%	5.1	1.6	221.8%
Dormitory	0.1	0.1	1.8	-0.8%	-92.8%	0.3	3.5	-92.6%
PBT								
Logistics & warehousing	3.0	5.1	8.9	-41.4%	-66.5%	8.1	18.8	-57.2%
Investment	(3.3)	(3.0)	0.5	-10.2%	-751.1%	(6.3)	0.5	-1272.4%
Property development	5.6	1.3	(2.8)	338.3%	298.8%	6.9	(5.1)	236.0%
Dormitory	(0.8)	(0.7)	(4.5)	-6.2%	83.3%	(1.5)	(9.3)	84.2%

Sources: Company & MIDFR

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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