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PLENITUDE BERHAD

Properties

BUY

FY19 meet expectation, better performance in property development offset by weak hotel operations in 4Q19

Price: RM 1.35

Target Price: RM 2.77

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FY19 earnings meet expectations, lifted by property division in 4Q19

Plenitude FY19 reported lower PAT of RM41.1m (yoy:-11.4%) meet our expectations, making up 102.0% of our full year estimates. The higher PAT in FY18 was due to one off land disposal in Penang, excluded land disposal which contributed RM34.9m, core net income has actually increase by 10.8% yoy, mainly owing to better performance in its property development division.

Property development division better than expected performance in 4Q19

Property division posted commendable results for 4Q19 with higher revenue of RM75.4m (yoy:129.3%, qoq:+219.2) and operating profit of RM34.2m (qoq:+183.8%), thanks to Phase 19 & 20 Desa Tebrau, Johor vacant possession delivered in June 2019 and higher sales from new launches at Desa Tebrau in Johor and Taman Putra Prima in Selangor.

Hotel operations division remain challenging

The hotel operations 4Q19 posted revenue of RM14.6m (yoy:-9.4%, qoq:+9.5%) and operating loss of RM4.8m. The revenue was affected by rooms closed for renovation and rebranding challenges. During the quarter, the Group had completed the acquisition of a 224 room 14-storey midscale hotel in Seoul, South Korea which expected to contribute positively to the earnings in FY20. Hotel business is expected to remain challenging as growth in new supply of hotels outpaced demand and growth.

Maintain BUY with unchanged TP of RM2.77

Despite the challenging outlook, we maintained BUY recommendation with unchanged target price of RM2.77 based on P/B ratio of 0.66x of our estimate FY20F NTA. We continued to favor Plenitude for its strong balance sheet, consistent dividend, strategic landbank in mature township and recurring income from its hotel operations.

EARNINGS SUMMARY

FY 30 Jun (RM m)	FY18A	FY19A	FY20F	FY21F	FY22F
Revenue	234.9	226.6	231.1	235.7	240.4
EBITDA	84.6	80.0	83.2	84.9	86.6
Core Net Profit	34.9	41.1	41.8	42.7	43.5
Core EPS (sen)	9.1	10.8	11.0	11.2	11.4
Core EPS Growth (%)	-	17.9	1.7	2.0	2.0
Net DPS (Sen)	4.5	4.5	4.5	4.5	4.5
Core PE	14.8	12.5	12.3	12.1	11.8
Dividend Yield (%)	3.3	3.3	3.3	3.3	3.3
Debt/Equity (%)	1.6	8.8	7.8	6.9	6.1
ROA (%)	2.0	2.2	2.2	2.2	2.2
ROE (%)	2.0	2.2	2.2	2.2	2.2
NTA per share (RM)	4.08	4.13	4.20	4.26	4.33
Price to NTA (x)	0.3	0.3	0.3	0.3	0.3

Company Description

Plenitude is principally involved in property development and hotel operations. The Group has property projects and land bank throughout Peninsular Malaysia

Stock Return Information

KLCI	1,602.5
Expected Share Return (%)	105.2
Expected Dividend Yield (%)	3.3
Expected Total Return (%)	108.5

Share Information

Bloomberg Code	PLEN MK
Stock Code	5075
Listing	MAIN
Issued Shares (m)	381.5
Market Cap (RM m)	515.1
52W High	1.65
52W Low	1.30
Estimated Free Float (%)	16.1
Beta (X)	0.7
3-month Average Vol	14,281

Top 3 Shareholders (%)

Ikatanbina S/B	32.2
Fields Equity Mgmt Ltd	21.3
En Primeurs S/B	5.5



Price Performance

	1M	3M	12M
Absolute (%)	-3.6	-7.5	-5.9
Relative to Index (%)	-0.8	-8.3	2.3

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Fig 1: Quarterly results comparison

FYE 30 Jun (RM m)	Individual Quarters						Cumulative Quarter		
	YoY			QoQ			YoY		
	4Q19	4Q18	yoy %	4Q19	3Q19	qoq%	4Q19	4Q18	yoy %
Revenue	90.0	49.1	83.4	90.0	36.9	143.6	226.6	234.9	(3.6)
Cost of sales	(43.5)	(16.6)	161.4	(43.5)	(17.0)	155.5	(106.0)	(115.2)	(7.9)
Gross profit	46.5	32.4	43.5	46.5	19.9	133.4	120.5	119.7	0.7
Investment revenue	2.2	3.2	(30.6)	2.2	4.1	(45.8)	14.6	16.2	(10.1)
Other income	3.0	2.5	21.4	3.0	4.6	(33.4)	12.2	9.8	24.0
Finance cost	(0.3)	(0.3)	7.8	(0.3)	(0.3)	9.0	(1.2)	(1.3)	5.4
administrative expenses	(26.2)	(18.0)	(45.2)	(26.2)	(17.5)	(49.4)	(83.5)	(73.7)	(13.2)
Other expenses	(0.6)	(0.8)	24.9	(0.6)	(0.4)	(44.5)	(2.0)	(2.7)	28.1
PBT	24.8	19.1	29.9	24.8	10.4	138.2	60.6	68.0	(10.9)
Taxation	(6.7)	(7.4)	(10.3)	(6.7)	(4.0)	67.5	(19.5)	(21.7)	(9.9)
PAT	18.1	11.7	55.4	18.1	6.4	182.0	41.1	46.4	(11.4)
Extraordinary item	0.0	0.0	-	0.0	0.0	-	0.0	(11.5)	-
Core net profit	17.0	11.7	55.4	18.1	6.4	182.0	41.1	34.9	17.9
Core net profit	17.0	11.7	45.8	17.0	6.4	164.5	40.0	34.9	14.6
Basic EPS (sen)	4.7	3.1	55.4	4.7	1.7	182.0	10.8	12.2	(11.4)
Diluted EPS (sen)	4.7	3.1	55.4	4.7	1.7	182.0	10.8	12.2	(11.4)
Core EPS (sen)	4.5	3.1	45.8	4.5	1.7	164.5	10.8	9.1	17.9
Revenue by segment									
Property Development	75.4	32.9	129.3	75.4	23.6	219.2	164.1	162.5	1.0
Hotel Operations	14.6	16.1	(9.4)	14.6	13.3	9.5	62.5	72.4	(13.7)
Total	90.0	49.1	-	90.0	36.9	143.6	226.6	234.9	(3.6)
Operating profit by segment									
Property Development	34.2	-	-	34.2	12.1	183.8	69.9	48.9	43.0
Hotel Operations	(4.8)	-	-	(4.8)	(0.1)	-	0.5	16.6	(96.9)
Total	29.5	-	-	29.5	11.9	147.1	70.4	65.5	7.5
Operating Margin (%)									
Property Development	45.4	-	-	45.4	51.1		42.6	30.1	
Hotel Operations	(32.8)	-	-	(32.8)	(1.1)		0.8	22.9	

Source: company and Mercury Securities

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