

31 May 2018 | 12MFY18 Results Review

## Lingkaran Trans Kota Holdings Berhad

**Slower Traffic and Potential Headwinds from New Policy**

**Maintain BUY**

**Adjusted Target Price (TP): RM5.90  
(previously RM5.95)**


### INVESTMENT HIGHLIGHTS

- **12MFY18 Mixed results**
- **Lower traffic suppressed revenue.**
- **Expecting more headwinds.**
- **Nonetheless, we maintain our BUY recommendation at RM5.90 per share**

**12MFY18 Mixed results.** LITRAK's 12MFY18's earnings of RM228.5m (+3.7%YoY) registered a mixed results meeting 89.2% and 97.6% of ours and consensus's full year expectation respectively. The slight improvement in earnings is due to reduction of staff benefits of RM27.3m (-2.15%YoY) and maintenance expenses of RM25.2m (-16.28m)

**Lower traffic suppressed revenue.** The divergence in our FY18's earnings forecast emanate from our earlier estimation on stabilized traffic pattern along Lebuhraya Damansara-Puchong and Sistem Penyeruaian Trafik KL Barat (SPRINT). Furthermore, its 12MFY18's revenue of RM523.8m (-1.95%) was slightly weaker. We have forecasted that weekly traffic would potentially hover around 510,000-515,000 vehicles. However, the traffic growth is expected to face compression as a result of MRT SBK line and LRT Ampang-Kelana Jaya.

**Expecting more headwinds.** Moving forward, the tollway concessionaires will face headwinds from the government's manifesto of abolishing toll. Furthermore, we are expecting the traffic on both LDP and SPRINT highways to face 3.0%-4.0% drop due to the increased ridership of MRT SBK Line and LRT Ampang-Kelana Jaya. Despite that, pending further announcement on; (i) compensation of toll increase deferment scheduled on January, 2016 and (ii) new policy on tollway establishment, we maintain our forecast for FYE18/FYE19.

**Maintain BUY.** Altogether we maintain our BUY call based on DCF method (WACC: 6.1%, Beta: 0.6) with a TP of RM5.90 per share. Currently, LITRAK is trading at a steep bargain with a PER of 9.9x or 10.1% earnings yield implying an attractive spread of 6.18% against 5-y Malaysian Government Securities yield of 3.92% (30.05.18). 

RETURN STATS	
Price (30 May 2018)	RM4.30
Target Price	RM5.90
Expected Share Price Return	27.1+%
Expected Dividend Yield	+7.0%
<b>Expected Total Return</b>	<b>34.1+%</b>

STOCK INFO	
KLCI	1719.2
Bursa / Bloomberg	6645 / LTK MK
Board / Sector	Main
Syariah Compliant	Yes
Issued shares (mil)	527.9
Par Value (RM)	1.00
Market cap. (RM'b)	2270
Price over NA	2.76x
52-wk price Range	RM3.63 – RM6.15
Beta (against KLCI)	0.05x
3-mth Avg Daily Vol	0.26m
3-mth Avg Daily Value	RM1.33m
Major Shareholders (%)	
Gamuda	43.58
ASB	7.91
SKIM ASB	7.48

## INVESTMENT STATISTICS

	FY16	FY17	FY18	FY19F	FY20F
Revenue (RM'm)	284.6	534.2	523.8	549.6	540.0
EBIT (RM'm)	196.2	376.4	373.6	407.3	380.0
Pretax Profit (RM'm)	157.2	292.4	336.7	372.9	340.0
Net Profit (RM'm)	119.1	220.2	228.5	283.4	245.0
EPS (sen)	22.8	42.1	43.3	54.3	47.0
EPS growth (%)	-14.8	105.5	2.7	20.3	-15.5
PER (x)	18.8	10.2	9.9	7.9	9.1
Net Dividend (sen)	25.0	25.0	25.0	30.0	33.29
Net Dividend Yield (%)	5.8	5.8	5.8	7.0	7.7

Source: MIDFR

## 12MFY18 RESULT

	4Q18	3Q18	4Q17	QoQ	YoY	12MFY18	12MFY17	YoY (%)
Revenue	127.8	132.2	131.1	-3.44	-2.5	523.8	534.2	-1.95
Staff cost	-6	-6.4	-7.1	-6.67	-15.5	-27.3	-27.9	-2.15
Maint. exp	-7.9	-6.8	-10	13.92	-21.0	-25.2	-30.1	16.28
<b>EBITDA</b>	113.9	119.0	114	-4.48	-0.1	471.3	476.2	-1.03
Depreciation	-24	-24.4	-24.6	-1.67	-2.4	-97.6	-99.8	-2.20
<b>EBIT</b>	89.9	94.6	89.4	-5.23	0.6	373.7	376.4	-0.72
Finance cost	-18.3	-18.6	-19.8	-1.64	-7.58	-74.3	-80.6	-7.82
Ot. income	0.4	1.3	0.2	-225.0	100.0	2.1	0.7	200
Sh. of assoc.	-2.3	-0.4	-7.5	82.6	-69.3	-4.2	-5.3	20.75
<b>PBT</b>	72.3	80.1	65.5	-10.8	10.4	306.4	292.4	4.79
<b>Net Profit</b>	52.8	60.5	49.6	-14.6	6.5	228.5	220.2	3.77
	<b>4Q18</b>	<b>3Q18</b>	<b>4Q17</b>	<b>ppts</b>	<b>ppts</b>	<b>12MFY18</b>	<b>12MFY17</b>	<b>ppts</b>
EBIT Margin (%)	70.34	45.8	68.2	24.6	2.2	71.3	70.5	0.88
Net Margin (%)	41.3	45.8	37.8	-4.4	3.5	43.6	41.2	2.40
EPS	10.0	9.8	9.43	0.2	0.6	43.3	42.07	1.22

Source: MIDFR

## DAILY PRICE CHART



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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 <i>rise</i> 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 <i>fall</i> 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.