



<h1>PLUS</h1> <h1>Expressways Bhd</h1>		Market Price:	RM3.20
		Market Cap:	RM16,850mil
		Board:	Main
		Sector:	Trading/Services
Stock Code/Name:	5052 / Plus		
On track in yield maintenance			

Analyst: Andre Gan



Photo source: PLUS website

“Largest toll concessionaire in Malaysia”

PLUS Expressways group is the largest toll expressway operator in South East Asia and one of the largest in the world in terms of market capitalisation. Incorporated in Malaysia during January 2002, PLUS Expressways Berhad (PLUS Expressways) made its debut on the Main Board of Bursa Malaysia in July 2002. PLUS is 38.512%-owned by the UEM group and ultimately by Khazanah Nasional, qualifying it as a government-linked company (GLC).

PLUS has a strong business profile due to the North-South Expressway (NSE) strategic alignment as the backbone of connectivity for Peninsular Malaysia. This is evidenced by the resilience of its traffic flow against external events.

“1Q/FY10 results within expectations”

PLUS financial results for 1Q/FY10 have generally improved as compared to 1Q/FY09. Revenue had improved from RM737.8m in 1Q/FY09 to RM813.2m in 1Q/FY10. This revenue comprises expressway toll collections and toll compensation recoverable from the federal government (net of the government’s share of toll revenue). Revenue growth was 10.2% higher than first quarter 2009 on the back of traffic volume growths of NSE 9.1%, Ekspresway Lingkar Tengah (Elite) 14.7%, Singapore 2nd Link (Linkedua) 22.4% and Konsortium Lebuhraya Butterworth-Kulim (KLBK) 11.8%.

Net earnings (NPAT) of RM298.9m experienced a 7.21 % increase year on year. This is attributed to the traffic growths that are in line with the economic recovery for first quarter 2010 as well as due to the low traffic base effect in first quarter 2009.

Other growth drivers include increased domestic travelling and rapid development at certain stretches especially in the Klang Valley. Initiatives and efforts undertaken by the Group have also contributed to the traffic performance, which include continuous efforts on traffic enhancement measures, management of the expressway capacity and its service level.



“Toll rates, agreements & concessions”

Recently, privately-held Asas Serba Sdn Bhd has asked the government to reconsider its plan to buy 25 toll highways concessions for RM50 billion as its ambitious bid did not receive any response.

The new company (newco), owned by four individuals, made the proposal a year ago, pitched as a way to remove the headache the government faces when toll rates are due to rise.

Asas Serba chairman Datuk Syed Amin Aljeffri said the plan would end toll rate increases and the government could save RM114 billion in compensation payments until 2038.

Under its proposal, highway users will pay 11.97 sen a km for using the North-South Expressway, compared with the 2002 rate of 12.36 sen, over the next 18 years, which is the tenure of PLUS Expressways Bhd's concession.

On the other hand, Asas will set up a new concession company which will buy all existing toll roads by raising RM50 billion from a bond sale. It will also allow highway companies, the government, banks and the public to be shareholders of the new company.

In a reply statement, PLUS said as a policy it does not comment on proposals or information reportedly submitted to other parties, in this case the government.

Moreover, we are sceptical that the plan will go through as the exercise will be a huge financial undertaking. It will also be tough to coordinate and time-consuming because of the number of companies and parties involved.

Additionally, as with all toll concessionaires, PLUS still faces regulatory risks.

“Company financials & focus on track”

With a share capital worth RM1.25 billion consisting of 5.0 billion shares of RM0.25 each, its market capitalization amounts to RM16,500 million. It has an adjusted beta (correlation factor) to the KLCI of 0.58. With this low

correlation PLUS is still outperforming the KLCI. Its 52-week trading range is between RM3.12–3.51. Based on its current market price of RM3.30, annualized FY10 EPS of 24.0 sen and latest BV/share of RM1.22 and estimated DPS of 17 sen, we derive a reasonable P/E of 13.33 times, P/BV of 2.62 times and dividend yield of 5.0%.

PLUS remains focused on expansion in its toll business, locally and abroad, as well as toll-related business, as seen from its recent acquisition of 20% equity stake in Touch n Go Sdn Bhd for RM33.4m. PLUS also reiterated that for 2010, the group's strategy is underpinned by its new set of KPIs which include 5% revenue growth driven by at least 3% contribution from new business, ROE of 18% and dividend payout of 75% vs. 70% for 2009.

6-month chart:



Source: NextView

Technical Comments

After a period of sideways consolidation, PLUS appears to be on the verge of going into a downtrend. Despite announcing a healthy 1st quarterly result, the decline has accelerated due to overall weak market sentiment.

This calls for caution in trading the stock as the previous long-term upward channel could have been compromised. Hence, it is better to avoid trading in this stock for the time being until a clearer picture emerges. In the moment, PLUS is expected to trade with a bearish bias. Immediate support is at RM3.15.