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HLIB: Pos Malaysia lacks catalysts

PETALING JAYA: Pos Malaysia Bhd is lacking near-term catalysts to support the recent spike in its share price that has run ahead of its earnings growth, according to Hong Leong Investment Bank Bhd (HLIB).

"While we are still positive on Pos Malaysia's long-term prospects for e-commerce driven courier business, recent share price surge has, in our opinion, run ahead of the earnings growth.

"The group's expansion plans will ensure near-term catalysts are absent for the company.

"Long gestation period is also required for the group to show significant growth in earnings from all its growth initiatives," said HLIB, which maintained a "sell" call on the company at RM3.36 based on 20 times price-to-earnings ratio of financial year 2018.

Pos Malaysia's share price has surged by almost 47% in the last six months to touch RM4.70 as of yesterday.

Nevertheless, HILB was upbeat about Pos Malaysia's e-commerce progress and integrated processing hub.

"It has enhanced its e-commerce service availability and quality through deploying cash on delivery and credit card on delivery (focusing on Lazada customers) for parcel delivery.

"The initiative started its pilot phase last month.

"The group has also developed its first digital business centre, co-operated with Shopee,

in Bangi catering to e-commerce customers," it said. The company also plans to consolidate its Pos Mel and Pos Laju operations to better utilise its resources.

"Pos Malaysia has set aside RM100mil to be spent on this hub which will expand the group's sorting capacity to 300,000 parcels per day from 200,000 parcels per day.

"The facility will be located in Shah Alam with completion scheduled to be by the end of next year," it said.

Apart from this, HILB said Pos Malaysia also revealed that the group plans to redevelop the old low-cost carrier terminal into a digital free trade zone.

"This area would be developed into a regional hub for e-commerce providing warehousing and distribution facilities catering for global and regional e-commerce online market places.

"The group is expected to bring in a joint-venture partner for this project to manage its project risk," it said.

On Tenaga Nasional Bhd's coal project, the research firm said the contract was already running with both of the ships utilised for the contract being chartered-in-vessels.

"Plans to execute the contract using own vessels are still intact and the group has already received letters of offer from the local banks for US-dominated onshore loan facility for vessel purchase.

"The two vessels are expected to cost the group US\$36mil," it said.