

Outthink. Outperform.

E-space venture

PUC Bhd embarked on a digital transformation when Mr. Cheong Chia Chou took the helm in May 2017. It has since ventured into: (i) e-money services, (ii) e-commerce and (iii) digital imaging through strategic acquisitions and partnerships, and the aim is to integrate these new initiatives under a super app (along the lines of Grab, Gojek). Near term, management expects funding of about RM100m to execute this. PUC's traditional businesses are advertising/media, technology, financial services (payment terminals) and solar energy.

Microfinancing platform

PUC's wholly-owned subsidiary, Wealth Pursuit SB (WPSB), recently partnered with the Malaysian Workers Foundation (YAPEM) on a micro financing programme/platform for two years. Chiyo (a regional asset management firm) and other potential local financial institutions will be the source of funding for WPSB to undertake this project with YAPEM.

Riding the e-commerce wave with 11street Malaysia

11street, the 3rd largest online marketplace in Malaysia (Fig 3), is operated by Celcom Planet SB, which is co-owned by SK Planet Global (44.7%), Axiata Digital (43.0%) and PUC (12.3%). Despite its relatively small stake, PUC has been given: (i) management control and (ii) preferred provider status for marketing, technology and payment gateway services. LBITDA from 11street narrowed to RM64m in 2018 vs. -RM118m in 2017.

Integrating digital ecosystem into the Presto app

Presto is a home-grown super app that consolidates: (i) online shopping, (ii) cashless payments and (iii) other e-services onto one platform. It distinguishes itself from peers by promoting: (i) attractive cashback rewards and (ii) [Online-to-Offline \(O2O\) commerce](#).

Management expects near-term lift in earnings from Pictureworks

Acquisition of the remaining 67% stake in [Pictureworks](#), a theme park imagery provider, is expected to be completed by 2Q19 pending shareholders' approval. Its existing 33% stake in Pictureworks contributed about 57% to its 2018 PBT.

Valuation above that of local media peers

PUC's advertising/media segment contributed c.66% of its 2018 revenue and its 2018 PER of 32x is above the average of 11x of the local media companies (exc. MPR MK, RM0.48, Sell) under our coverage. In the e-commerce space, Alibaba (BABA US, USD182.45, Buy [1] – covered by Daiwa) trades at a 2018 PER of 39x.

Earnings & Valuation Summary

FYE 31 Dec	2014A	2015A	2016A	2017A	2018A
Revenue (RMm)	53.4	27.4	25.8	43.0	52.5
EBITDA (RMm)	24.0	15.5	17.0	24.1	41.8
Pretax profit (RMm)	10.1	2.5	2.7	(19.0)	8.5
Net profit (RMm)	9.8	2.3	2.9	(19.3)	6.5
EPS (sen)	0.5	0.1	0.1	(0.9)	0.3
PER (x)	21.0	89.7	71.8	n.m.	31.9
Core net profit (RMm)	7.0	(1.5)	4.8	0.3	(0.8)
Core EPS (sen)	0.3	(0.1)	0.2	0.0	(0.0)
Core EPS growth (%)	-0.3	n.m.	n.m.	-0.9	n.m.
Core PER (x)	29.6	n.m.	42.8	>100	n.m.
Net DPS (sen)	-	-	-	-	-
Dividend Yield (%)	-	-	-	-	-
EV/EBITDA (x)	8.3	13.3	14.2	9.6	5.3

Source: Company, Bloomberg, Affin Hwang estimates

Company Note

PUC Berhad

PUC MK
Sector: Media

RM0.095 @ 01 April 2019

Not Rated

Price Target: n/a

Previous Target: n/a



Price Performance

	1M	3M	12M
Absolute	-5.0%	-17.4%	-57.8%
Rel to KLCI	-0.8%	-14.3%	-51.7%

Stock Data

Issued shares (m)	2,157.9
Mkt cap (RMm)/(US\$m)	205/50.2
Avg daily vol - 6mth (m)	14.5
52-wk range (RM)	0.09-0.28
Est free float	65.6%
BV per share (RM)	0.12
P/BV (x)	0.78
Net cash/(debt) (RMm)	(0.05)
Derivatives	Yes
(Warr 14/19, WP RM0.06, EP : RM0.10)	
Shariah Compliant	Yes

Key Shareholders

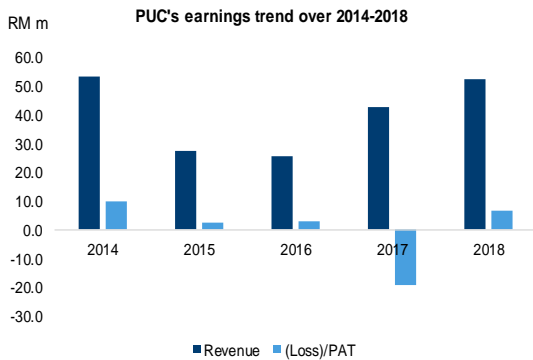
Redhot Media Intl.	22.0%
Tan Yong Ming	2.8%
SG Fortune SB	2.6%
Bok Chuan	2.1%

Source: Affin Hwang, Bloomberg

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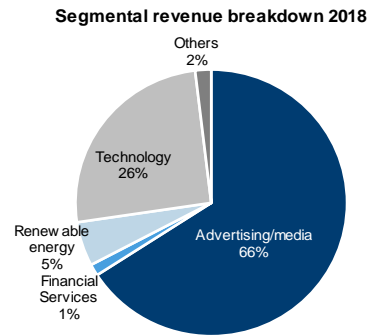
Focus Charts

Fig 1: Impairment loss of RM20.2m on trade receivables in 2017



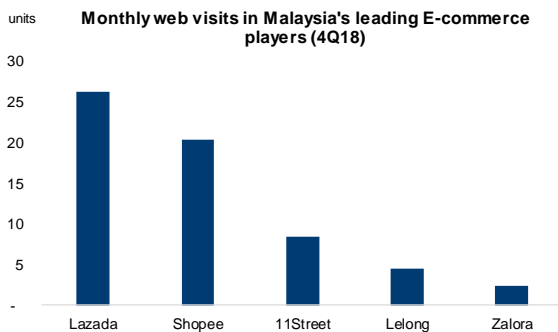
Source: Company, Affin Hwang estimates

Fig 2: Advertising/media segment remained PUC's largest revenue contributor in 2018



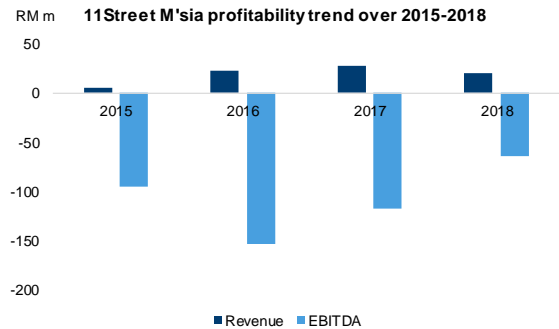
Source: Company, Affin Hwang estimates

Fig 3: 11street is the 3rd largest online marketplace in Malaysia by monthly web visits



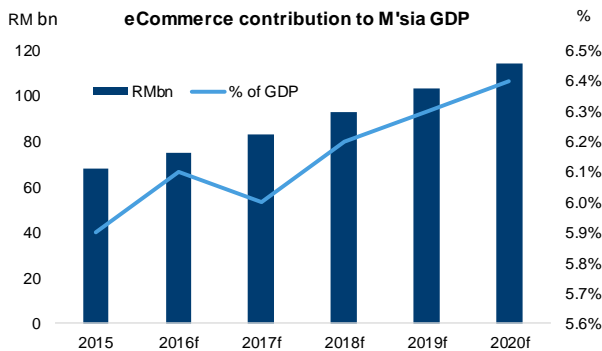
Source: Iprice.my, Affin Hwang estimates

Fig 4: Declining losses at 11street on intensified cost cutting measures



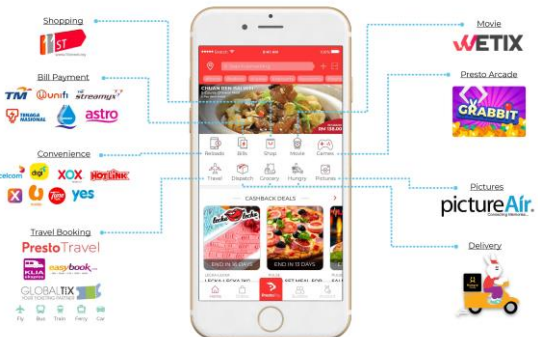
Source: Company, Affin Hwang estimates

Fig 5: eCommerce likely on high growth trajectory in Malaysia; worth an estimated RM68bn in 2015



Source: MDEC, A.T.Kearney, MITI, Affin Hwang estimates

Fig 6: Presto super app



Source: Company

Important Disclosures and Disclaimer

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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