

PLUS Expressways

(RM3.70 PLUS MK)

Buy

Target Price: RM4.13

End of the road for Indon venture

TOLL

• **News**

PLUS announced yesterday that it has entered into a conditional sale and purchase agreement with PT Bakrie & Brothers Tbk (Bakrie) for the disposal of its entire equity interest in PT Cimanggis Cibitung Tollways (CCTW), for a total cash consideration of approximately RM20.2m.

• **Comments**

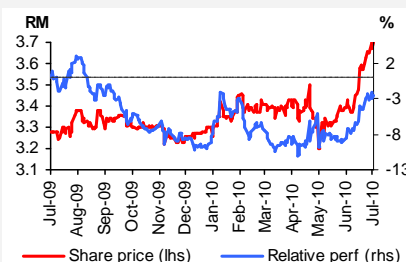
To recall, CCTW was announced as the winning bidder for the Cimanggis-Cibitung toll road project in September 2007. PLUS had the biggest stake in the joint venture with 60% equity interest, followed by PT Capitalinc Investment Tbk (Capitalinc) with a 25% stake and Bakrie with 15%. The Cimanggis-Cibitung toll road is a 25.4km stretch that forms part of the Jakarta Outer Ring Road 2. With an initial concession period of 35 years from the date of the concession agreement, the project has seen some hurdles with the negotiations of the terms of the concession agreement such as land cost capping as well as toll rates.

While the sum invested in the project is not alarming as the concession agreement has yet to be executed with no works having been carried out, we are happy to note that PLUS is able to recoup its investment and withdraw itself from the project unscathed. With initial investment at about RM17.7m, PLUS would record a net gain of RM1m after deducting miscellaneous costs incurred since end 2007. We highlight that the sale and purchase agreement is subject to approvals of regulatory bodies as well as Capitalinc which are expected to be procured by 1QCY11. The divestment of CCTW would also allow PLUS to focus on their bigger Indonesian project, the Cikampek Palimanan toll road, for which negotiations and land acquisition are making progress.

• **Maintain BUY, upgrade TP to RM4.13**

We make no changes to our earnings estimates as gain from the disposal is negligible and no contributions from the Cimanggis-Cibitung toll road have been imputed. We take the opportunity to roll forward our valuations to mid-FY11 at a revised cost of equity of 7.4% from 6.2% as we impute a higher risk premium to reflect renegotiation risk of PLUS' concession agreement arising from the subsidy rationalisation plan. As such, our TP is revised upwards from RM3.98 to RM4.13. We expect PLUS to achieve a 75% dividend payout ratio in FY2010 - in line with their headline KPIs – and maintain it at 70% going forward. We like PLUS for its (1) attractive dividend yields, (2) 37.9% earnings growth in FY2011 due to a scheduled 10% toll rate increase on the NSE and ELITE, and (3) potential growth via acquisitions.

Share Price Chart



Source: Bloomberg

Price Performance

Price (RM)	3.70		
52-week Range (RM)	3.20 – 3.70		
Avg Daily Volume ('000)	4,492		
	1M	3M	6M
Absolute (%)	9.1	7.9	12.5
Relative (%)	6.8	7.2	4.9

Key Data

Market Cap (RM m)	18,500
Issued Shares (m)	5,000

Major Shareholders

	%
Khazanah Nasional	55.2
EPF	12.1

Balance Sheet Highlights (RM m)

(@ 31.12.2010) (performance indicator's annualised)

Total Assets	18,197
Total Liabilities	11,698
Total Debt (Gross)	10,417
Shareholders' Equity	6,478

Return on Assets (%)	6.9
Return on Equity (%)	19.3
Net Cash / Share (RM)	-

Debt/Equity (x)	1.2
Interest Cover (x)	3.5

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Financial summary

FYE 31 Dec	2008	2009	2010F	2011F	2012F
Net profit (RM m)	1,079.3	1,186.4	1,251.3	1,725.3	1,839.9
EPS (sen)	21.6	23.7	25.0	34.5	36.8
P/E (x)	17.1	15.6	14.8	10.7	10.1
DPS (sen)	16.0	16.5	18.8	24.2	25.8
Dividend yield (%)	4.3	4.5	5.1	6.5	7.0
BVPS (RM)	1.14	1.22	1.30	1.45	1.58
P/BV (x)	3.3	3.0	2.9	2.5	2.3

Key to stock recommendations:

Buy = Share price is expected to appreciate by >10% over the next 12 months

Hold = Share price is expected to move by less than +/-10% over the next 12 months

Sell = Share price is expected to decline by >10% over the next 12 months

Key to sector recommendations:

Overweight = Industry expected to outperform the market over the next 12 months

Neutral = Industry expected to perform in-line with the market over the next 12 months

Underweight = Industry expected to underperform the market over the next 12 months

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