

Pintaras Jaya Berhad

(9598 | PINT MK) Main | Construction

First Loss in Almost Two Decades but Cautiously Optimistic

KEY INVESTMENT HIGHLIGHTS

- Recorded core net loss of -RM1.2m, its first in almost two decades, dragged by construction losses
- Construction recorded loss before tax in FY23 at -RM5.m as Malaysia losses surpass Singapore profits
- Outstanding order book stands at RM230m, providing earnings visibility for FY24. Crucial need to secure new jobs
- Maintain BUY with a revised TP of RM1.65

Below expectations. Pintaras Jaya Berhad (Pintaras) recorded a core net loss of -RM1.2m its first full year net loss in about two decades, mainly due to losses from its construction division. Comparatively, in FY22, the group achieved a core net profit of RM49.7m. The FY23 earnings came in below ours and consensus expectations, which estimated a core net profit of RM5.1m and RM5.0m respectively. The group declared a dividend of 3 sen for 4QFY23, bringing the FY23 dividend to 5 sen per share, a yield of 3.3% based on the previous close.

Construction division. Construction revenue dipped -28.1%yoy in FY23 to RM289.1m, while its loss before tax was -RM5.0m as compared to a PBT of RM48.0m in FY22. This was due to the group's slower construction activities for the year and the highly competitive rates for its newly secured jobs. Further weighing down the bottom line was the recognition of foreseeable losses for some of its Malaysia projects on the back of higher costs, low productivity and liquidated damages. The impact of the loss recognition has surpassed the profit contribution coming from its operations in Singapore.

Manufacturing division. Revenue from the segment grew +6.4%yoy to RM44.0m driven by higher sales volume but its PBT came in -60.1%yoy lower at RM2.9m due to higher material costs and operating expenditure. The average inventory costs of tinplate rose +30.0%yoy during the 12-month period ending Jun-23 and most of these were absorbed by Pintaras as they were unable to pass it on to its clients.

Fewer jobs. Pintaras has an outstanding order book of RM230m, providing the group with earnings visibility in FY24. Since Oct-22, the group has secured eight piling contracts in Singapore worth about RM160m, with commencement dates from Apr-23 to Dec-23, with contract periods ranging between three to 12 months. Management expects some improvements for FY24 with the expected tenders for MRT3 and the potential revival of the KI-Singapore HSR being a potential catalyst for the sector. In Singapore, management remains selective in project tenders, expecting the current competitiveness to persist in 2023. Job flows are expected to pick up in 2H24 with expansion projects such as Changi Airports Terminal 2, Marina Bay Sands and Resorts World.

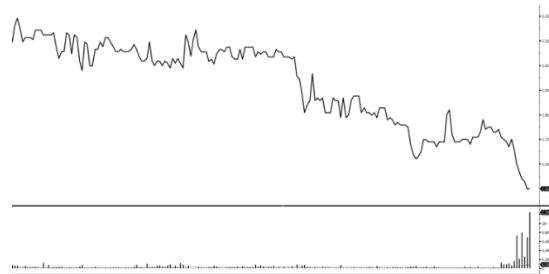
Maintain BUY

Revised Target Price: RM1.65
(previously RM1.88)

RETURN STATISTICS

Price @ 25 th Aug 2023 (RM)	1.50
Expected share price return (%)	+10.00
Expected dividend yield (%)	+3.13
Expected total return (%)	+13.13

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-15.7	-15.4
3 months	-11.2	-12.8
12 months	-31.2	-28.5

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	333.1	320.9	330.5
Operating Profit	6.8	35.3	38.0
Profit Before Tax	5.9	41.7	45.3
Core Net Profit	-1.2	28.9	39.7
Core EPS	-0.7	17.4	23.9
DPS (sen)	5.0	5.0	5.0
Dividend Yield	3.3%	3.0%	3.0%

KEY STATISTICS


FBM KLCI	1,444.41
Issue shares (m)	165.86
Estimated free float (%)	20.42
Market Capitalisation (RM'm)	248.80
52-wk price range	RM1.48-RM2.35
3-mth average daily volume (m)	0.08
3-mth average daily value (RM'm)	0.12
Top Shareholders (%)	
Pintaras Bina Sdn Bhd	36.08
Chiu Hong Keong	14.66
CIMB Group Holdings Bhd	7.54

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Earnings estimates. We are slashing our FY24E revenue and core earnings estimates by -10.0% and to RM320.9 m and our core earnings estimate by -14.7% to RM28.9m, in line with management's expectations of a tough and challenging FY24.

Target price. We are revising our TP to **RM1.65** from RM1.88. This is based on pegging a three-year historical mean PER of 9.5x to the group's FY24E EPS of 17.4 sen.

Maintain BUY. We remain cautiously optimistic on Pintaras' prospects, which crucially needs replenishment of its order book which now stands at RM230m, as compared to about RM400m in previous years. Frequent job replenishments are vital for the group due to the specialised nature of its earthworks and piling business, where contracts usually have shorter time frames. We expect the improving construction sector in the country to aid Pintaras with necessary job wins, on top of the improving operating environment with easing foreign labour woes and moderating raw material prices. We continue to like Pintaras, which remains committed in its dividend issuance. All factors considered, we maintain our **BUY** recommendation on **Pintaras**. 

PINTARAS JAYA: 4QFY23 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
	4QFY23	3QFY23	4QFY22	QoQ	YoY	FY23	FY22	YoY
Income Statement								
Revenue	78.2	75.8	113.4	3%	-31.1%	333.2	443.1	-24.8%
Cost of sales	(74.2)	(71.6)	(107.7)	4%	-31.1%	(321.8)	(392.9)	-18%
Other operating income	4.8	2.9	22.2	64%	-78.3%	13.7	28.1	-51%
Other operating expenses	(1.4)	(0.2)	(5.6)	571%	-75.1%	(7.2)	(16.3)	-56%
Finance cost	(0.3)	(0.3)	(0.2)	-5%	23.0%	(1.0)	(1.0)	0%
Profit before tax	3.9	4.5	18.1	-12%	-78.2%	5.9	48.3	-88%
Taxation	(8.1)	(0.8)	0.0	895%	-29125.0%	(8.0)	(7.1)	13%
Reported net profit	(4.2)	3.7	18.1	-214%	-123.1%	(2.1)	41.2	-105%
Core net profit	(3.1)	1.6	20.7	-294%	-114.8%	(1.2)	49.7	-102.3%

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	370.	443.1	333.1	320.9	330.5
Gross profit	81.0	51.7	17.0	41.7	46.2
Operating profit	76.4	50.6	6.8	35.3	38.0
Profit before tax	75.1	48.3	5.9	41.7	45.3
Tax	-11.0	-7.1	-8.0	-12.8	-5.6
Net profit	64.1	41.2	-2.1	28.9	39.7
Core net profit	53.0	49.7	-1.2	28.9	39.7

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
Fixed assets	186.7	171.8	163.6	171.4	174.0
Intangible assets	61.4	57.1	48.8	58.7	61.8
Non-current assets	248.1	228.9	212.4	230.1	235.8
Cash	60.1	45.4	14.6	39.6	60.6
Trade debtors	143.8	203.7	164.5	157.6	154.2
Current assets	318.4	362.3	338.8	345.7	395.6
Trade creditors	106.5	128.7	100.1	104.9	108.3
Short-term debt	15.8	15.0	13.8	13.5	12.9
Current liabilities	160.7	165.2	125.7	140.1	148.4
Long-term debt	26.8	18.6	9.0	8.5	11.0
Non-current liabilities	33.6	25.8	25.2	11.5	14.7
Share capital	180.2	180.2	180.2	180.2	180.2
Retained earnings	190.4	215.0	199.6	244.0	288.1
Equity	372.2	400.2	400.3	424.2	468.3

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	75.1	48.3	5.9	41.7	46.2
Depreciation & amortisation	32.1	33.4	35.4	32.4	32.4
Changes in working capital	6.0	-48.8	-7.0	40.9	16.9
Operating cash flow	103.1	18.1	24.0	64.4	69.9
Capital expenditure	-22.9	-11.0	-6.8	-20.0	-20.0
Investing cash flow	-41.3	37.2	36.8	-36.0	-36.0
Debt raised/(repaid)	-16.1	-21.6	-20.0	-15.2	-12.8
Dividends paid	-16.6	-16.6	-16.6	-10.0	-10.0
Financing cash flow	-34.1	-39.8	-36.5	-26.3	-23.8
Net cash flow	27.7	15.5	17.8	2.1	10.1
Beginning cash flow	68.7	94.5	111.9	138.2	140.3
Ending cash flow	94.5	111.9	138.2	140.3	150.4

Profitability Margins	2021A	2022A	2023E	2024F	2025F
Gross profit margin	21.9%	11.7%	3.4%	13.0%	14.0%
Operating profit margin	20.6%	11.4%	3.5%	11.0%	11.5%
PBT margin	20.3%	10.9%	1.8%	13.0%	13.7%
PAT margin	17.3%	9.3%	-0.6%	9.0%	12.0%
Core PAT margin	14.3%	11.2%	-0.4%	9.0%	12.0%

Source: Bloomberg, MIDFR

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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.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology