

Pintaras Jaya Berhad

(9598 | PINT MK) Main | Construction

Singapore Construction Recovery to Boost Prospects

KEY INVESTMENT HIGHLIGHTS

- Recorded core profit of RM0.2m in 1QFY24, a decline of -60.8%yoy; below ours and street expectations
- Construction division posted loss before tax of -RM1.2m, resulting from lower volume of jobs and low rates
- Outstanding order book stands at RM43m, providing earnings visibility for FY24. Tender book at RM2.6b
- Maintain BUY with a revised TP of RM1.68 as we rollover our valuation

Below expectations. Pintaras Jaya Berhad (Pintaras) recorded a core net profit of RM0.2m in the 1QFY24 ending Sept-23, a decline of -60.8%yoy. The quarterly performance was still dragged by the loss-making construction division. The results came in below ours and consensus expectations, making up 0.7% and 2.8% of full-year estimates.

Construction division. Construction revenue dipped -35.1% during the quarter to RM58.5m, while its loss before tax softened to -RM1.2m from -RM2.9m in the same quarter last year. This was a result of lower volume of construction jobs from fewer projects, coupled with slowly starts for newly secured jobs. Rates were generally lower due stiff competition in the geotechnical space. A RM3.5m reversal of provision for rectification cost from completed projects also contributed to the lower loss before tax.

Manufacturing division. Revenue from the segment remained unchanged at RM11.8m, but PBT came in -5.9%yoy lower at RM1.4m. This was mainly due to higher depreciation costs for a new printing line. Management expects the division to continue generating steady earnings in FY24 on the back of stable domestic demand and they aim to scale up operations with the new printing line.

Actively tendering. Pintaras has an outstanding order book of RM243m, providing the group with earnings visibility in FY24. Management is actively tendering for projects, with a tender book of around RM2.60b, comprising residential, industrial and infrastructure developments. The group is targeting more job wins which will improve the utilisation of its construction capacity.

Earnings estimates. We are cutting our FY24E core earnings estimates by -44.6% to RM16.0m and by -36.0% in FY25F to RM18.5m in light of tighter margins.

Target price. We are revising our TP to **RM1.68** from RM1.65 as we roll forward our valuation base year to FY25F. This is achieved by pegging the group's FY25F EPS of 11.2 sen to its two-year historical mean PER of 15x.

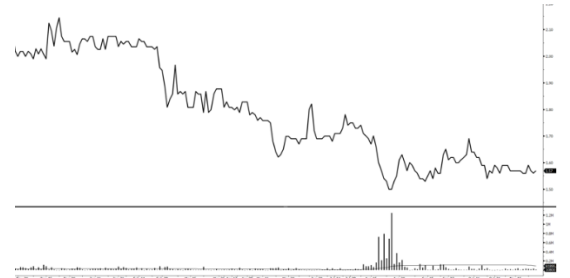
Maintain BUY

Revised Target Price: RM1.68
(Previously RM1.65)

RETURN STATISTICS

Price @ 27 th Nov 2023 (RM)	1.57
Expected share price return (%)	+7.00
Expected dividend yield (%)	+3.00
Expected total return (%)	+10.00

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.3	-1.7
3 months	-2.5	4.4
12 months	-28.0	-26.1

INVESTMENT STATISTICS


FYE Dec	2024F	2025F	2026F
Revenue	320.9	330.5	340.4
Operating Profit	25.7	26.4	28.9
Profit Before Tax	24.1	24.5	27.2
Core Net Profit	16.0	18.5	18.7
Core EPS	9.7	11.2	11.3
DPS (sen)	5.0	5.0	5.0
Dividend Yield	3.0%	3.0%	3.0%

KEY STATISTICS

FBM KLCI	1,448.15
Issue shares (m)	165.86
Estimated free float (%)	21.30
Market Capitalisation (RM'm)	260.41
52-wk price range	RM1.48-RM2.22
3-mth average daily volume (m)	0.07
3-mth average daily value (RM'm)	0.11
Top Shareholders (%)	
Pintaras Bina Sdn Bhd	36.03
Chiu Hong Keong	14.66
CIMB Group Holdings Bhd	7.54

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Maintain BUY. We reiterate our view of being cautiously optimistic on Pintaras Jaya, as it is crucial for the group to continue replenishing jobs, due to the specialised nature of its earthworks and piling business, where contracts usually have shorter time frames. Management is optimistic on the recovery of the construction sector in Singapore on the back of the acceleration of public sector project rollouts. We also expect the improving construction sector in Malaysia to aid Pintaras with necessary job wins, with upcoming mega projects such as the MRT3 and Penang LRT expected to boost construction activities. All factors considered, we maintain our **BUY** recommendation on **Pintaras Jaya**. 

PINTARAS JAYA: 1QFY24 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results				
	1QFY24	4QFY23	1QFY23	QoQ	YoY
Income Statement					
Revenue	70.3	78.2	101.9	-10%	-31.0%
Cost of sales	(65.6)	(74.2)	(99.3)	-12%	-33.9%
Other operating income	2.1	4.8	2.8	-56%	-24.6%
Other operating expenses	(1.4)	(1.4)	(5.5)	-3%	-75.6%
Finance cost	(0.3)	(0.3)	(0.2)	0%	24.6%
Profit before tax	2.0	3.9	(3.5)	-50%	-157.0%
Taxation	(0.8)	(8.1)	0.1	-90%	-734.9%
Reported net profit	1.2	(4.2)	(3.4)	-128%	-135.4%
Core net profit	0.2	(3.1)	0.5	-106%	-60.8%

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024F	2025F	2026F
Revenue	443.1	333.2	320.9	330.5	340.4
Gross profit	51.7	11.3	33.7	36.4	40.8
Operating profit	50.6	6.8	25.7	26.4	28.9
Profit before tax	48.3	5.9	24.1	24.5	27.2
Tax	-7.1	-8.0	-8.0	-6.9	-8.5
Net profit	41.2	-2.1	16.0	18.5	18.7
Core net profit	49.7	-1.2	16.0	18.5	18.7

Balance Sheet (RM'm)	2022A	2023A	2024F	2025F	2026F
Fixed assets	171.8	163.6	171.4	174.0	176.6
Intangible assets	57.1	48.8	58.7	61.8	64.9
Non-current assets	228.9	212.4	230.1	235.8	241.5
Cash	45.4	14.6	39.6	60.6	81.6
Trade debtors	203.7	164.5	157.6	154.2	0.0
Current assets	362.3	338.8	309.0	325.0	341.2
Trade creditors	128.7	100.1	104.9	108.3	111.7
Short-term debt	15.0	13.8	13.5	12.9	12.3
Current liabilities	165.2	125.7	140.1	148.4	156.7
Long-term debt	18.6	9.0	8.5	11.0	13.5
Non-current liabilities	25.8	25.2	11.5	14.7	17.9
Share capital	180.2	180.2	180.2	180.2	180.2
Retained earnings	215.0	199.6	207.3	217.5	227.9
Equity	400.2	400.3	387.5	397.7	408.1

Cash Flow (RM'm)	2022A	2023A	2024F	2025F	2026F
PBT	48.3	5.9	24.1	24.5	27.2
Depreciation & amortisation	33.4	35.4	32.4	32.4	32.4
Changes in working capital	-48.8	-7.0	40.9	16.9	-7.1
Operating cash flow	18.1	24.0	64.4	69.9	75.4
Capital expenditure	-11.0	-6.8	-20.0	-20.0	-20.0
Investing cash flow	37.2	36.8	-36.0	-36.0	-36.0
Debt raised/(repaid)	-21.6	-20.0	-15.2	-12.8	-10.4
Dividends paid	-16.6	-16.6	-10.0	-10.0	-10.0
Financing cash flow	-39.8	-36.5	-26.3	-23.8	-21.3
Net cash flow	15.5	17.8	2.1	10.1	18.1
Beginning cash flow	94.5	111.9	138.2	140.3	150.4
Ending cash flow	111.9	138.2	140.3	150.4	168.5

Profitability Margins	2022A	2023A	2024F	2025F	2026F
Gross profit margin	11.7%	3.4%	10.5%	11.0%	12.0%
Operating profit margin	11.4%	3.5%	8.0%	8.0%	8.5%
PBT margin	10.9%	1.8%	7.5%	7.7%	8.0%
PAT margin	9.3%	-0.6%	5.0%	5.6%	5.5%
Core PAT margin	11.2%	-0.4%	5.0%	5.6%	5.5%

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