

Pintaras Jaya Berhad

(9598 | PINT MK) Main | Construction

Slips into the Red Again

KEY INVESTMENT HIGHLIGHTS

- Core net loss of -RM4.0m in 2QFY24; core net loss of -RM3.8m in 6MFY24
- Construction division loss before tax widened to -RM7.3, dragged by RM8.3 LADs, slower activities and competitive rates
- Outstanding order book stands at RM300m, providing earnings visibility for FY24. Tender book at RM3.0b
- Downgrade to NEUTRAL with an unchanged TP of RM1.68

In the red again. Pintaras Jaya Berhad (Pintaras) has slipped into the red again in 2QFY24, with a core net loss of -RM4.0m, dragged by losses from its construction division. For the cumulative 6MFY24, the bottom line was at a net loss of -RM3.8m as compared to a core net profit of RM0.3m in the same period at year ago. This is below ours and consensus estimates.

Construction division. Revenue from the construction segment in 2QFY24 dipped -26.7%yoy to RM48.9m while its loss before tax widened to -RM7.3m from -RM3.1m a year ago. The segment was mainly hit by liquidated damages for late delivery amounting to RM8.3m for the quarter from its Malaysian operations, which exceeded the profit contribution from its Singapore operations. Other factors include slower construction activities and highly competitive rates for newly secured jobs.

Manufacturing division. The stronger metal container manufacturing business during quarter managed to offset some of the losses at the group level. The division generated a +20.4% stronger revenue of RM12.6m and stronger profit before tax, which grew 3.4x to RM1.3m. This can be attributable to higher sales volume and stronger margins for the quarter.

Actively tendering. Pintaras has an outstanding order book of about RM300m, which is sufficient for it to navigate through the remaining months of its FY24 ending June. Management is actively tendering for projects, with a tender book of around RM3.0b, comprising residential, industrial and infrastructure developments. Management is expecting stronger prospects from Singapore, comprising projects from both public and private sectors.

Earnings estimates. We are slashing our FY24E core earnings estimates by -45.0% to RM8.8m while maintaining our FY25F and FY26F estimates for now.

Target price. We maintain our TP at **RM1.68** which was achieved by pegging the group's FY25F EPS of 11.2 sen to its two-year historical mean PER of 15x.

Downgrade to NEUTRAL

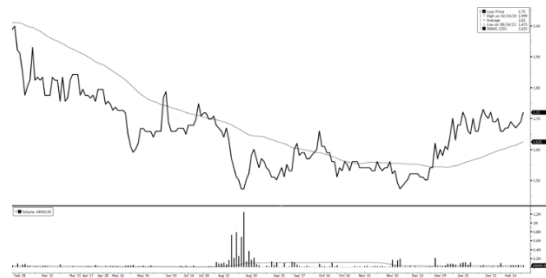
(Previously BUY)

Unchanged Target Price: RM1.68

RETURN STATISTICS

Price @ 22 nd Feb 2024 (RM)	1.72
Expected share price return (%)	-2.3
Expected dividend yield (%)	+3.0
Expected total return (%)	+0.7

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	3.6	0.0
3 months	7.5	1.9
12 months	-16.1	-20.5

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	16.8	24.5	27.2
Core Net Profit	8.8	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	1,545.49
Issue shares (m)	165.86
Estimated free float (%)	21.23
Market Capitalisation (RM'm)	285.29
52-wk price range	RM1.48-RM2.06
3-mth average daily volume (m)	0.04
3-mth average daily value (RM'm)	0.06
Top Shareholders (%)	
Pintaras Bina Sdn Bhd	36.10
Chiu Hong Keona	14.66
CIMB Group Holdings Bhd	7.54

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Downgrade to NEUTRAL (from BUY). We reiterate our view that 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. As we are not making any changes to our TP and based on the fact that Pintaras' share price has risen since Dec-23, we are downgrading our recommendation to **NEUTRAL**. Management is expecting a "very tough" FY24 and they expect that sentiments for the construction industry will remain muted for the year due to the delayed implementation of mega projects. Rerating catalysts include stronger than expected job wins. 

PINTARAS JAYA: 2QFY24 RESULTS SUMMARY

Income Statement	Quarterly Results					Cumulative		
	Q224	Q124	Q223	QoQ	YoY	6M24	6M23	YoY
Revenue	61.6	70.3	77.3	-12%	-20.4%	131.9	179.2	-26.4%
Cost of sales	(63.5)	(65.6)	(76.7)	-3%	-17.3%	(129.1)	(176.0)	-27%
Other operating income	2.7	2.1	3.1	25%	-15.0%	4.8	5.9	-20%
Other operating expenses	(2.1)	(1.4)	(0.1)	56%	>+100%	(3.5)	(5.6)	-38%
Finance cost	(0.3)	(0.3)	(0.2)	-2%	15.2%	(0.5)	(0.4)	20%
Profit before tax	(4.4)	2.0	1.0	<-100%	<-100%	(2.4)	(2.5)	-6%
Taxation	(1.0)	(0.8)	0.8	23%	<-100%	(1.8)	0.9	<-100%
Reported net profit	(5.4)	1.2	1.8	<-100%	<-100%	(4.2)	(1.6)	>+100%
Core net profit	(4.0)	0.2	(0.1)	<-100%	>+100%	(3.8)	0.3	<-100%

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	16.8	24.5	27.2
Tax	-7.1	-8.0	-8.0	-6.9	-8.5
Net profit	41.2	-2.1	8.8	18.5	18.7
Core net profit	49.7	-1.2	8.8	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%	2.7%	5.6%	5.5%
Core PAT margin	11.2%	-0.4%	2.7%	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